Leaders foresee wider economic partnership after historic summit

# FINANCIAL TIMES

Europe's Business Newspaper

MONDAY NOVEMBER 22 1993

### Nigeria report calls for probe into 'leakage' of funds

A confidential report for Nigeria's deposed civilian leader, Chief Ernest Shonekan, attacks widespread leakages in state funds and urges an investigation into \$1.5bn of oil receipts pald into special project accounts in the first half of this year.

The report also reveals that the mid-year limit for this year's national budget has been overshot. with the deficit reaching N26bn (\$540m), far more than the N15.6bn target and just short of the N31.1hn deficit approved for the full 12 months. It also warns of "huge" defence ministry debts. The disclosures come as the UK and Its Western European Union partners meet in Luxembourg to consider sanctions against Nigeria's new military government. Page 14; Observer, Page 13; Donors to debate Kenya aid, Page 4

Reforms hit European drug sales: Drug sales in Europe have stagnated following healthcare reforms in Germany, Italy and the UK. Page 14

Prince Charles seeks support: Britain's Prince Charles is frustrated by apparent lack of support from some strong UK government partments for royal visits abroad which could help secure export husiness for the UK. Page 14; A prince captured, Page 13

US gun controls nearer: US Congressional leaders were negotiating a final version of gun control legislation, after extreme public pressure forced the Senate to pass a bill on the issue by 63 votes to 36. Page 4

115 killed in Macedonia aircrash: All hut one of the I16 people aboard a Macedonian airliner were killed wheo it crashed into a hill and exploded near the tourist resort of Ohrid.

Caution on Brussels jobiess plan: European finance ministers will today discuss an ambitious strategy for halving unemployment in the Euro-pean Union by 2000. Ministers are expected to give a cautious welcome, but some member states - notably the UK and Germany - are likely to resist commitments to specific targets for joh creation, growth and interest rate policy. Page 2;UK faces up to rules on working time, Page 6

UK PM seeks to reassure Uister Unionists: John Major, the UK prime minister, moved to regain the initiative in the Northern Ireland peace process by reassuring the Protestant majority that they retained an absolute veto over change in the status of the Province. Page 6

Forte, the UK hotels and restaurants group. is believed to be close to an agreement to sell its stake in Kentucky Fried Chicken to Pepsico, its partner in the business. Pepsico is expected to pay Forte about £40m (\$59.6m) for its 50 per cent stake in the venture. Page 15

Lloyd's agents asked to back Merrett: Lloyd's insurance agents will be asked today to increase support for Merrett-managed insurance syndicates amid fears that their failure could lead to the hreak-up of the Merrett Group. Page 15

Japan audio makers suffer: Pioneer, the specialist audio and laser disc maker, suffered an operating loss of Y1.25bn in the first half, while Kenwood, the specialised nudio maker, reported a pre-tax loss of Y2.46bn in the same period. Page

European Monetary System: The Dutch guilder contioues to be the strongest currency in the system although the gap between it and Danish krone, the system's weakest member. narrowed further last week to 4.51 per cent from 4.77 per cent. in a week of falling money market loterest rates in the EMS, the Portuguese escudo continued its steady climb in the ERM rankings, changing places with the Belgian franc to occupy fifth place. Currencies, Page 27

EMS: Grid

Gullder Irish Pun Peseta **B.Franc** D.Krope

The chart shows the member currencies of the exchange rate mechanism measured ogainst the weakest currency in the system. Most of the curren-cies can fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a narrow 2.25 per cent band.

italy's ruling party heads for setback: Italy's long dominant Christian Democrat Party looked set to be seriously weakened in partial municipal elections tovolving a quarter of the Italian electorate in 428 municipalities.

Brazil's largest party under strain: Senior politicians from the Party of the Brazilian Democratic Movement (PMDB), the country's largest party, are holding talks which could lead to a split in its ranks ahead of next year's presidential elections. Page 4

City share system

The new share settlement system proposed for the City of London will cost about half as much as the Stock Exchange's falled Taurus project. according to details to be unveiled later this week. But because the oew system will be much less sophisticated, companies are likely to have to spend more developing their computer link-ups.

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# Four-airline merger plan ends in clash over US link

One of the moet ambitious Ruropean mergers ever attempted collapsed yesterday after KLM Royal Dutch Airlines. Swissair, Scandinavian Airlines System and Austrian Airlines failed to agree on a common US airline partner.

The four medium-sized carriers said in a joint statement that they had decided to abandoo their seven months' negotiations because of "fundamentally different views" on a US partnership. Swissairblamed KLM for the collapse of the proposed Alcazar alliance, which had been

intended to create a fourth airline force in Europe to compete against the hig three carriers: British Airways, Lufthansa and Air France.

The collapse of the Alcazar project is likely to hasten the consolidation of the European industry around the strongest groups, such as BA and Lufthansa, which have already set up global alliances. Mr Otto Loepfe, Swissair's

chief executive, said the three other partners had favoured Delta Air Lines, in which Swiss-air holds a 5 per cent cross-equity etake, hut KLM ultimately decided to stand by Northwest Airlines, in which it holds a 20 per cent stake.

Mr Loepfe said the four airlines had started oegotiations with the assumption that Delta would be

the US partner. But KLM said last night that although it wanted to agree a deal, the Dutch carrier had concluded that the merger should go ahead only if Northwest and not Delta was chosen as the preferred US partner.

negotiations lescribed by financial advisers as the most amhltious attempt to date to form a European crossborder merger, since it involved six listed companies and six gov-ernments (including the three Paga 14

Scandinavian companies and governments involved in SAS). Although the four airlines managed to reach broad agreement on several complex issues including the valuation of the proposed joint airline's assets, its headquarter location and joint management structure - the talks remained blocked on the US

Mr Loepfe said the four had considered having more than one US partner but decided against that on the ground that it would be confusing to customers.

Failure of the talks has now

partnership issue.

left the four airlines with the dilemma of how to secure their longer-term future in the increasingly competitive and rapidly consolidating airline industry.

All four sought to put on hrave face yesterday. KLM, which failed in earlier partner-ship attempts with Sabena of Belgium and British Airways, said it had no plans for the moment to resume merger talks with BA or to seek a separate deal with SAS. SAS said it had not dropped the

idea of an alliance with one or more European airlines; but Mr Tage Andersen, the Danish chairman of the SAS board, said the airline would stand alone for a period to consider its options. This is not a catastrophe," he Swissair also said it would seek

other alliances. Mr Hennes Goetz,

the airline's chairman, recently

said if Alcazar flopped, the only option left for Swissair would be to join forces with Lufthansa, Air France or BA. Austrian Airlines, the smallest of the four, said it would be considering co-operation with Swiss-air and Lufthansa, which disclosed this year that it was interested in establishing closer ties with Austrian.

rim ushers in 'brave

**Pacific** 

new era for trade

By Alexander Nicoli and George Graham in Seettle

Leaders of Pacific rim countries meeting in an unprecedented summit at the weekend, set out a vision of economic partnership which they said would give the Asia Pacific region a new voice in world affairs and would spearhead global growth in the 21st

century.

Although they stopped far short of establishing a formal economic community, the leaders from the Asia-Pacific Economic Co-operation grouping indicated gathering momentum by agree-ing to meet again in Jakarta in 1994 and calling a meeting of finance ministers in the first half of the year to discuss macroeco-nomic developments and capital

PAGE 5

■ Weary Clinton sets sights on

Pacific goals Hosokawa wins respite in battle on market access

E Chinese leader cuts a floure on the world stage

The heads of government of the US, Japan, China, Canada, Australia, New Zealand, South Korea, Indonesia, the Philippines, Singapore, Thailand and Brunei, together with ministers from Taiwan and Hong Kong, met for six hours in a feplica of an Indian log longhouse on Blake Island, near Seattle.

The summit, held at the invitation of President Bill Clinton, was symbolic of the rapid growth of Asian economies and Pacific trade. It was remarkable for its studied informality, with few prepared statements and plenty of

chais in small groups.

Tha leaders issued a "vision statement" which steered well clear of the many bilateral problems dividing Apec members and contained few specific commitments, but said: "Our economies are moving toward interdependaoce and there is a growing sense of community among us." The region, they noted, accounts



Fingers crossed: US president Bill Clinton blds farewell to Japanese prime minister Moribiro Hosokawa on the ferry from Blake Island, Seattle, after the Asia-Pacific Economic Co-operation summit

for 40 per cent of the world's population and 50 per cent of its gross national product.

The statement's vagueness underlined the nervousness of . Asian countries about creating new formal structures for co-operation, and particularly about agreeing to anything which could be interpreted as

submitting to US domination.

However, Mi Paul Keating, the
Australian prince minister, said
the summit had "diminished fears some countries might have had about the US and its motives and the whola development of Mr Clinton said: "We've agreed

that the Aslan-Pacific region should be a united one, not divided. We've agreed that our economic policies should be open. The leaders were emphatic that

they were not attempting to establish an exclusive trade bloc and that they were determined to

give impetus to talks on the Gatt Uruguay Round, offered new tariff cuts in an agreement hammered out by ministers in Seattle; last week.

Mr Clinton said: "We went-Europe to work with us to get a good Gatt agreement by the end of the year. That's the message we want to send to our European friends." Gatt negotiators in Geneva are seeking an accord by

a December 15 deadline. Mr Winston Lord, the US state department official responsible for Asia, told reporters: "I think we will look back in ten or twenty years time and consider that this leaders' conference was a turning point in the Asia-Pacific." Apec members were, he community "in the sense of a family and in the sense of shared рштрове."

The US enthusiasm for partnerwin a etrengthened General ship with Asia underlines Mr

Agreement on Tariffs and Trade. Clinton's recognition of the Most Apec countries, in a bid to region's growth and the need for the US to be involved in it for the sake of its future prosperity. However, he also emphasised that the US was stepping up its focus on the pursuit of human rights and democracy, as well as market access.

Mr Clinton's hilateral meetings with China's President Jiang Zemin and Mr Moriniro Hoso-kawa, the Japanese prime minister, produced no new commitments. China's insistence that the US should not link trade and human rights issues found an echo with virtually every other participating country.

Nevertheless, the leaders agreed to establish a Pacific Business Forum which would identify areas in which trade and investlarly for small and medium-sized businesses. They will also establish a programme to develop regional cooperation in higher education.

### Israel and Egypt plan network power link

By Julian Ozanne in Jerusalem

Egypt and Israel have exchanged letters of understanding to begin detailed work on linking the two countries' national power grids and build a \$1bn (£600m) pipeline to supply the Jewish state with Egyptian gas

Both projects mark an early step in what Israel hopes will be a massive peace dividend in Middie Eastern regional integration. Mr Mosbe Shahal, Israel's energy minister, said at the weekend that he had negotiated

the deals with Egypt's energy and oil ministers, with the approval of President Hosni Israeli officials said experts

from the state-owned electricity corporation would visit Egypt next week to begin a etudy with Egyptian counterparts on how best to link the electricity grids, which could be "done at once". The study will be financed by the European Union. Mr Shahal said the linking of regional electricity systems could save Israel \$200m and Egypt \$78m by eliminating the need for parallel power lines. Israel also hopes to include Jordan, Turkey and Syria in a

Continued on Page 14

oday's Monday FT has a number of new features

Tha new Monday FT will include: • The FT Guide to tha Week

tion II. · Significantly expanded cover-

tor, explores global investment trends. A special table analyses worldwide investment returns. Peter Norman, economics editor, and Edward Balls of our leader-writing team, look at emerging economic policy debates. Special reports on the week ahead for companies, the international bond, equity and for-

eign exchange markets.

• A new page will take a fresh look every week at the increasingly popular emerging financial markets, especially in Asia and Letin America.

• The FT Guide to World Currencies, normally published on a Tuesday, will now appear on Monday, providing this compre-hensive exchange rate informaRichard Lambert, the improvements to the

· Four new features in tha first section of the newspaper: a business travel guide, a column about international executives and jobs, a profile of a leading ess figure and an interna tional press review.

As a result of these improve

Michael Prowse's column on America moves from the second section back page to the main features pages. The Monday interview will come to an end but regular interviews will now appear on the features pages on Tuesday. The international economic indicators will appear on Tuesday. The FT/Isma bond price table will continue to be published during the week but not on Monday. The construction contracts feature will disappear. Large construction contracts will be reported on the news pages.

views on these changes.

# the week with the Financial Times

and services. Our aim is to provide readers with a lively and authoritative guide to the week ahead by highlighting the events and trends which could shape their week.

Ahead on the back page of sec-

age in section II of what could be in store for companies and mar-kets. Peter Martin, financial edi-

# New way to start

editor, introduces Monday edition tion at the start of the business

ments several features will move or disappear. We hope this will not inconvenience our readers.

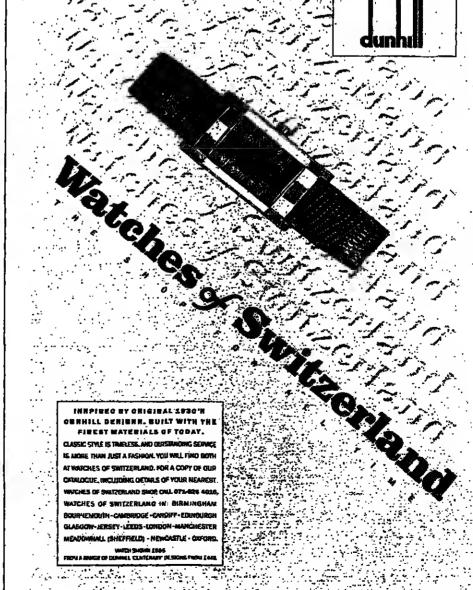
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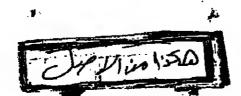
CONTENTS

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Some EU states are likely to resist targets in plans to boost economy

# Caution on Brussels jobless plan

By Lionel Barber in Brussels

European finance ministers will today discuss an ambitious strategy for halving unemployment in the European Union by the year 2000.

The strategy is outlined in a

European Commission report intended as a call to arms for a common approach on tackling the economic crisis and restoring European competitiveness.

Ministers are expected to give a cautious welcome, but some member states - notably the UK and Germany - are

likely to resist commitments to specific targets for job creation, growth and interest rate

Tha Commission's papar, per cent from the mid-1990s. Restoring Growth and Employment - Strengthening Convergence, has assumed added significance as a guide to macroeconomic policy as a result of the collapse of the European exchange rate mech-

anism last summer. Among its chief recommendations are a cut in the EU average of short-term interest rates of between 2 and 3 percentage points, conditional on curbs in wage rises and public deficits; a cap on real wage rises set at 1 percentage point below the rate of productivity; an inflation target of between 2 and 3 per cent; and annual economic growth of 3

The Commission also

appeals for more flexible lahour markets and a reduction in employment taxes, although it remains unclear how Brussels intends to propose funding these ideas.
Inside the Commission, officials are divided on whether to

recover the loss in revenue through taxes on pollutants such as carhon dioxide, higher value added tax, or taxes on income from savings and investment. Another proposal is to penalise equipment deemed to be polluting, though this has been condemned in some quarters as a threat to the internal market

pressing for a tax on capital to offset the sacrifices which employars and governments are expected to require from trade unions. They hope to receive a sympathetic hearing from Mr Jacques Delors, president of tha Commission, who appears to have abandoned his earlier trial halloon in favour

of a tax on speculative capital

Mr Delors is close to completing his saparate White Paper on competitiveness for the Brussels summit naxt month. Finance ministers led Mr Kenneth Clarke, UK chancellor of the exchequer, are pressing hard to examine

summit to test whether the Commission has incorporated members' submissions.

However, Mr Delors is said to be reluctant to hand over the whole Commission document, arguing that it would risk being mutilated by those seeking to strengthen their anti-Brussels credentials at

home. The Delors White Paper offers a framework for public discussion rather than directives for action. Though similar in content, the macroeconomic guidelines carry more formal weight since they have to be adopted by EU leaders under the Maastricht treaty.



## Greek bank governor resigns

ture was a sururise.

By Kertn Hope in Athens

Greece's central governor, Mr Efthymics Christodoulou, resigned at the weekend in response to pressures from the socialist government.

down to make way for some-nne "closer to the government's political conviction Although the socialists had been expected to sack Mr Christodoulon because of his close connections with the opposition New Democracy party, the timing of his depar-

His presence at the Bank of

tee of stable exchange rate policy while the Socialists worked out measures to confront Greece's rising deficit.
The favourite to replace him

#### European Union finance ministers are close to a deal nn proposals to strengthen bank-

ing supervisory authorities in the wake of the collapse of the Bank of Credit and Commerce International.

By Lionel Barber in Brussels

Ministers from the Twelve wili today review a Belgian presidency document which paves the way for tighter

supervision of all financial institutions, including banks, credit institutions, and insur-

A central feature of the proposal is the requirement for transparent operations. The idea is to make it easier for the regulatory authorities and auditors to establish the financial soundness of a financial institutinn and, if necessary, prepare a case for intervention

Other proposals for avoiding BCCI-style scandal include: A requirement that financial institutions maintain their head offices in the same member state as their registered

Finance ministers plan tighter banking supervision

 An extension of the list of bodies with which confidential supervisory and prudential information can be exchanged Guidelines on whether audi-

tors should ba allowed tn extend the scope of their reporting beyond the affairs of a specific financial institution to a group as a whole. This could allow auditors to track down, say, suspicious intracompany loans or outstanding

The Belgian presidency of the EU and the European Commission have been co-operating

The Commission said last summer that the basic approach of its second banking directive, investment sarvices directive and third-generation insurance directive remained

sound. But it was necessary to

put forward new provisions to

strengthen supervisory powers.

ties among member states. A

UK diplomat last week pre-

dicted there was a good chance

Mr Christodoulou, a former economy minister appointed hy the previous conservative government, said he was stepping is Mr loannis Boutos, another former economy minister who is close to Prime Minister Andreas Papandreou. THE FINANCIAL TIMES

### Ex-minister | Burgundy admits taking funds fall again

Mr Paolo Cirino Pomicino, a former finance minister and a prominent Christian Democrat in Naples, has admitted receiving illicit funds, writes Robert Graham in Rome.

In an interrogation by Milan magistrates at the weekend - the first under new rules loosening parliamententary immunity - be admitted receiving up to L5bn (\$3m) from Ferruzzi-Montedison,

The Ferruzzi family claimed the money was part of L150bn paid to politicians to facilitate the sale of the group's stake in Enimont, the chemicals joint venture with Eni, the state oll

# prices

Burgundy wine prices yesterday fell for a record fourth consecutive year at France's most renowned annual auction, reflecting a lacklustre world econnmy and overflowing supplies, writes Edmund Penning-Rowsell

from Beaune.
Total bidding at the Hospices de Beaune auction of 1993 wines raised FFr10.6m (\$1.8m) for 759 casks compared with FFr11.85m for 663 barrels last

Red wine prices fell by 25 per cent, and white wine by an average of 7 per cent. The drop reflected lack of interest in tha more expensive Burgundies.

# European drugs markets turn sickly

By Paul Abrahams

Europe's drugs market, which last year grew 8 per cent, has been undermined by reforms in Germany, Italy, and to a lesser extent the UK.

The German market has been hardest hit. German pharmaceuticals groups, often highly dependent on domestic sales, have suffered because of changes in doctors' prescribing babits away from expensive patented products to cheap non-patented products.

During the first four months, sales at the seven largest research-intensive drug manufacturers fell 16.5 per cent, while sales at the four largest generic companies increased 36 per cent, according to the Frankfurter Allge-

World pharmacy drug purchases January-September 1993 in US dollars (million) \$640 \$714 \$517 \$560 \$265 \$277 Cardiovascula \$2,787 \$744 \$1,623 \$1,531 \$994 \$1,003 \$268 \$145 \$5,281 \$600 Anti-infectives \$5,501 \$399 \$639 \$365 \$437 \$1,215 \$1,010 \$678 Central Nervous System \$578 \$1,032 \$526 \$405 \$363 \$537 \$1,423 Blood, Organs \$7,420 \$3,161 \$1,963 \$1,517 \$1,527 \$745 \$9,345 \$8,958 \$6,291 \$3,354 \$3,779 \$1,197 \$1,141 \$33,169 \$14,639 -10 % Increase 12

Source; IMS International meine Zeitung newspaper.

There are few signs of recov-ery since the healthcare reforms were introduced in January. Most drugs companies operating in Germany have announced restructuring programmes.

"Non-hospital market only Tricrosse excluding currencies Five European markets continued to grow during the first nine months of this year, according to IMS International.

chases rose from \$8.93bn to

\$8.96bn, an increase of 6 per

lar terms from \$4.1hn to \$3.7bn, hut rose 11 per cent in local the market research company. French pharmacy drug pur-

cent at constant rates. Drugs purchases in the UK fell in dol-

The Spanish market was one of the strongest in Europe. Although sales fell in dollar

terms from \$3.7bn to \$3.3bn, they rose 12 per cent excluding

The Dutch market was also strong, registering a 12 per cent rise, although the market was static in dollar terms at \$1.1hn. The Belgian market was also static at \$1.1hm, but increased 5 per cent excluding currencies.

In the seven largest European markets, the hardest hit categories have been druge for cardiovascular problems, muscular-skeletal complaints such as arthritis, and blood agents. All registered sales declines compared with the first nine

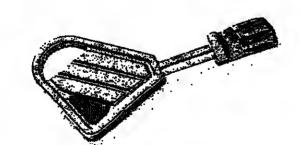
months last year. Sales of alimentary and metabolism drugs, mostly for ailments such as stomark ulcers, were static.

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# Secret services unite against crime

The Cold War's end has forced agencies to find a new role, Our Foreign Staff reports

A cross Europe, secret services are coming in from the cold, as they search for new roles and greater public acceptability after the demise of superpower

Governments are searching for value for money, while electorates have grown increasingly wary of secret service power and lack of accountabil-

The response has been twofold. On the functional side, Europe's secret services have pooled their efforts against cross-border terrorism, and are stapping up co-operation to combat a sharp rise in organsed crime stemming from the former Soviet bloc.

On the public relations side, countries such as Britain and Italy, whose intelligence services have traditionally been subject to little public scrutiny. are heing forced to shift towards more open practices, similar to those of Germany and the Netherlands.

Britain's MI5 and MI6 and Germany's BND have quickly emerged as the key players in the struggle against drugs trafficking, arms-running and weapons proliferation. But Intelligance agencies from now-democratic eastern Europe are also being drawn into the fray.

Links with the Russian intelligence service, the successor to the KGB, have been hampered by Moscow's admission that it is still spying on the west, particularly for scientific and industrial intelligence. But MI5 has held training

courses for members of the Czech, Hungarian and Polish intelligence services, designed to remodel these organisations A spokesman for Germany's

BND confirmed last week that "contacts" exist with eastern European intelligence agencies. in areas such as drugs and money laundering as well as

The Czech republic is a particular focus for attention: Since the beginning of the year about 20 clandestine drugs laboratories have been uncovered

Hose Europe's secret services line up

Correspy

Description of the control counter-espionage, ideals from the count Spain

Employs 2,300, further 2,500 in Land filtes. Budget DM227m (1993) under control of chancellor's office. Anti-terrorism, proliferation, drugs Heads Konrad Porzner
Employs 8,500, of whom 3,500 in HQ

cost of uniformity inchestors.

ROFFISH: Sport Uniformity and Control Uniformity and Control Uniformity and Control Uniformity and Control Uniformity.

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Metherlands
DOMESTIC: Emperionds
Veligheidsdanst (2VD). Goundschings, combating organischen, septembling freigners
Head: Artisip Doctors van
Laeisker.

Police estimate 70 per cent of drugs entering Germany pass through the Czech Republic on their way to western Europe from the Middle East, the former Soviet Union and Latin

The Italian secret services, in the threes of radical reorganisation after widespread revelations of serious malpractice, are also believed to have intensified contacts with the Czech republic. Ukraine and Albania to combat the activities of gangs with possible Mafia links. "The conquest of markets these days is more important than the defence of territory," according to one top Italian secret service official.

vided a powerful example of the need to subject intelligence services to adequate political control.

near Munich; nest in 70 foreign residencies", Budget Officially:

DOMESTIC: Siede, under int

melligence conscium un actalical and scientific...

listry control. Anti-terrorism; iligance collection and assess

MILITARY INTELLIGENCE, NATIONAL SECURITY: Signi, under

defence ministry control. Counter

monitoring.
Two bodies to be merged into a single Central Security Agency.
Employed 4,421 in all branches in

January 1983. Following scanda fired, arrested or retired early.

Annual combined budget: 1992: L696bn of which L358bn covert funds.

As part of the overall attempt to clean up corruption throughout public life, magistrates are conducting at least four investigations into Italy's intelligence services. They are looking into alleged abuse of office, embezzlement and association with the Mafia. To avoid such malpractice.

the Roma government last month announced a radical reform of the intelligence services and their merger into a single co-ordinating agency. This will be controlled directly by the prime minister's office both for its activities and the use of budgeted funds.

NATIONAL SECURITY: Cosid department

of defence ministry. Gathers and distributes intelligence inside and outside Spain.

Head: General Emilio Alonso Manglano.

Most staff matary. Budget and operational strength classified.

DOMESTIC: Guardia Civil, which provides security for frontiers, small lowns

and rural areas, and Policia Nacional, which policies big cities, run own mtelligence agencies, controlled by interior ministry.

France

Surveillance du Terri Counter-espionage, Duties re-oriented to combating

industrial espionage on French soil, as well as tracking foreign political

Heed: Philippe Parant

Générale du Service

DOMESTIC: Direction de la

The Intelligence Services Bill announced in London on Friday contains provision for a parliamentary oversight committee to survey the activities of MI5, MI6 and GCHQ, which appears likely to play a similar role to the parliamentary committee that scans the German secret services. A similar committee is in operation in the Netherlands.

There are pockets of resistance to the relaxation in secrecy, with details of the hudget and staff numbers of Spain's Cesid, and of the DGSE and DST - the foreign and domestic arms of the French intelligence services - remain-

ing classified. But increased international co-operation among intelligence services is spurring moves towards greater accountability.

Britain's Mlo has built up particularly strong links to Germany's domestic intelligence agency, the BfV. Although the BfV is legally barred from partleipating in the battle against organised crime, German and British officials believe that co-operation between the two agencies has helped curb Irish terrorist attacks against British army bases in Germany in recent

As part of its informal study of German methods, MI5 has even looked at whether to David Marsh

adon; some elements of the BfV's relatively open approach towards disseminating information to the press.

Mrs Stella Rimington, the director-general of MI5, bas lifted the vail on some aspects of the service by holding offthe record conversations with journalists during the last year. Four months ago, MI5 took the unprecedented step of issuing a 35-page booklet on its

However, Ms Bimington is unlikely to raise her public profile to the extent of Mr Eckar! Werthebach, the BfV chief, who makes frequen: TV ligence service chief with close contacts to Mrs Rimington says he has advised her against becoming a public fig-ure in view of the threat from

A new public relations role for MI6 appears even more unlikely. 326 bas made clear its reluctance about subjecting us chief. Sir Colin McColl. to even the limited public exposure given to Mrs Elmington. Mi6 argues it aiready faces considerable government coecas and balances.

in an example of the limitations on MIA disclosure, Baron, ess Daphne Park, a former Mi6 controller, has been given clearance to answer questions on British TV. An interview is being screezed tonight in which she talks of the information M6 provided to the UK government before the August 1991 coup against Mr Mikhail Gorhachev, the former Soviet

president. Although Baroness Park (who retired from a key intelligence role in 1980) is the most senior MI6 figure ever to speak on British TV, she gives no sig nificant insights into MI6 policy. By contrast, Mr Konrad Porzner, the bead of the German BND, already related in a German press interview during the summer how his agency gave the Bonn government forewarning of the August 1991

Report by: Tom Burns, Jimmy

# Corruption curbs Czech crackdown

Four years after the revolution that swept away communism, the Czech republic is stepping up efforts to co-operate with western intelligence and police agencies in the struggle against international arms and drugs smngglers. However, the Czechs have

yet to establish an intelligence service that is reliable and untainted by the former As a result, there is concern that inexperience, slack controls and corruption are

severely constraining the

drive against organised A new Czech intelligence service (BIS) was established at the end of last year, in the second reorganisation of the security services since the rev-

BIS has particular links with Britain's MI5 and MI6, as well as with Germany's BND, It has also forged ties with the international police organisation Interpol.

Co-operation is taking place with Moscow, too. Last May, Mr Yevgeny Primakov, director of the Russian foreign intelligence service, pald a discreet visit to Prague in an attempt to improve con-However, former employees

of the secret police (StB), many of whom still work in the Czech security services, are believed to be using their connections and access for illicit purposes. Two months ago Mr Vaclav

Benda, chairman of the Christian Democratic party (KDH) termed as unacceptable the presence of roughly 65 former StB employees in the reorgan-Several cases of illegal bng-

ging - notably, within Justice Ministry offices - and the theft and sale of classified Interior Ministry information bave been reported in recent

Among scandals involving former StB agents, the most notorious is an alleged attempt to blackmail Mr Viktor Kozeny, head of one of the country's largest investment funds. The alleged hlackmailer, who is currently standing trial, is said to have used StB in his attempt to extort money from Mr Kozeny.

Since the fall of communism, illicit activities of all kinds have proliferated. They include money laundering, extortion, drugs rooning, racketeering, prostitution, and trade in weapons, explosives, radioactive materials, stolen cars and pirated videos.

The country has yet to set up an intelligence service untainted by the former regime, writes Patrick Blum

White collar or economic crimes have also risen exceptionally quickly, growing 75 per cent in the first nine months of 1993 compared with the same period in 1992, according to Czecb police sta-

Large quantities of Semtex explosive destined to be sold on the hlack market bave been seized by Czech police since the spring, and several weapons caches have been

Before the revolution, the former Czechoslovakla was among the world's 10 largest exporters of weaponry, ranging from tanks to small arms, Large amounts of weapons were left behind as Soviet troops withdrew following the dissolution of the Warsaw Pact military alliance.

# Western banks plunged into Russian politics

Leyla Boulton on a pre-election financial curb

lth the issue of a single presidential decree, western bankers have hecome rather than Moscow, the country's banking capital.

Banks affected by the decree are: Chase Manhattan and Citiembroiled in the politics of the

Russian elections. Three weeks before the elections to a new parliament, the ab Russian govarnment has imposed restrictions which it condemned as reactionary when they were demanded by the old parliament. A presidential decree published at the end of last week prevents banks that are more than 50 per cent foreign-owned and have not begun serving residents from doing so until January 1996.

Only two of the dozen western banks that have already received licences to take deposits from Russian customers are spared, because their Russian subsidiaries are already up and running. They are Credit Lyonnais Russie and BNP-Dresdner Bank's joint subsidiary, both of

**New Ideas** 

Newport

are: Chase Manhattan and Citi-bank of the US; France's Societé Générala; the Nether-lands' ING Bank and ABN-Amro. Bank; Credit Suisse; Bank of China; and Turkey's Yapi ve Kredi Bankasi, which planned to take a 51 per cent stake in a joint venture bank with Russia's Tokobank.

"How can you give out a banking licence and then a few weeks later say 'Sorry, we've changed our minds'," said one western executive involved in the Yapi ve Kredi project, which only got its licence on November 1. "It's ridiculous but we'll just have to figure out some new arrangement." One solution might be for Yapi to reduce its shareholding to 50

per cent but take priority over Tokobank in decision-making. The western banks had no which are in St Petersburg, plans to take deposits from

Russian individuals, but the decree deprives them of the opportunity to work with Russlan enterprises including lucrative joint ventures with

foreign shareholders. The decree was signed the day after a meeting between leading Russian bankers and Mr Yegor Gaidar, the first deputy prime minister, who heads the Russia's Choice electoral bloc. It fits in with the protectionist promises of other large

Armenia, which has devoted much of its wealth to fighting a war with Azerbaijan, today introduces its own currency, the dram, after much hesitation in abandoning the rouble, writes Leyla Boulton from

Muldova, annther former Soviet republic involved in ethnic strife, plans to introdnce its own currency on November 29. This leaves only Belarus, which is negotiating full monetary and economic union with Muscaw, and Tajikistan, sharing the ronble

with Russia. Meanwhile, Lithuania, one of the first republics to leave the Russian economic nrhit, has concluded a trade pact with Russia to restore trading links huilt up during five decades of Soviet rule.

parties competing in the December 12 elections. Apart from the desire to satisfy the powerful banks that are supplying much of the campaign finance, the decree is also part of efforts by radical government ministers to undermine Mr Victor Gerash-

chenko, the central bank chairman, who granted the licences. Mr Boris Fyodorov, the finance minister, said on Friday the decree was in line with international practice and intended to protect Russian banks' from losing their best clients and staff at a critical

stage in their development. Banks point to the more than \$3bn accumulated by the International Moscow Bank, the first bank with foreign capital to open in Moscow, to illustrate their claims that prestigious western banks will steal their prized currency deposits without putting more money back into the economy.

They also point to the fact that IMB has lent a much smaller proportion of funds to the Russian economy than top

## INVESTING IN SOUTH AFRICA

### A world-class plaver in investment expertise, underwriting and marketing

Mike Levett, chairman of Old Mutual, talks to John Spira, Business Editor of a leading Johannesburg newspaper.

Spira: With the removal of international sanctions. Investments in South Africa could become very attractive. Is Old Mutual in a position to attract

Levett: Without doubt, Established in 1845, Old Mutual is the largest life assurer in Africa and a world-class

player in terms of Investment expertise.

It is these factors which have seen Old Mutual grow to the point where it now administers more than R100 billion on behalf of millions of men and women indicative of our understanding of the unique needs of the life assurance, employee benefits and investment

quirements in African markets. And with our international presence through business operations in Europe, we also understand the needs of

Spira: How would you characterise South Africa's post-sauctions outlook?

Levett: Over the past ten years, South Africa has suffered from ner capital ourflows, Foreign firms departing and limited access to foreign skills, technology and export markets.

is good, and old and new companies are already returning to the sub-continent. With political stability. gruwth of 3 to 4 percent should be possible. The economy is still recovering from recession, though, and steady growth may take a while to come through.

Spira: Would it be excessively optimistic to expect a fairly high level of foreign investment after next

Levette Since the mid-1980s, loreign capital has been leaving South Africa, owing to sanctions and dismal perceptions of the political situation. If the post-election political environment is stable, our access to international capital markets will improve

immediately, particularly given our good record in repaying loreign debt.
With South Altrica's status as a large emerging market, foreign portfolio investment can be expected soon, while foreign direct investment should follow in due course. We can thus expect healthy loreign investment within a

Spira: Does the Johannesburg Stock Exchange offer good value for the foreign portfolio investor?

year or two of the 1994 election.

Levett: At present, inflation to falling rapidly, interest rates are declining and the economy appears to be pulling nut of a four year recession. Company balance sheets are healthy and earnings are starting to recover. Although our market is fairly expensive compared to its own history, by international standards it is still relatively cheap - particularly if priced in financial

Given a reasonably smooth political transition, the equity market offers good medium-term value to the foreign

Spira: With assets of more than R100 billion, Old Mutual is South Africa's lurgest life assurer. Is it perhaps vulnerable, because of its size, to legislation governing competition that a new government is

likely to introduce? Levett: The R100 billion represents Old Mutual'e total worldwide business, not only the South African part. It also includes assets managed on behalf of pension lunds

and other clients.

While Old Mutual ic South Africa's largest life assurer, there are three other large life assurers and a number of smaller ones in South Africa, making the life assurance

industry highly competitive.

I do not therefore consider Old Mutual to be culnerable to legislation designed to enhance competition.

Spira: Do you think it likely that a new government will dictate investment policy to the life assurance

Levett: I hope that can be averted. Developmental needs in the economy will be best served by allowing the various financial institutions, including life offices, to play roles for which they were established and for which

This is why out industry, through the Life Offices Association, has created the Investment Development Unit (IDU). The IDI: enables the industry to identify and support development investment opportunities that ance the needs and interests of policyholders with the need to mobilise sayings for the overall benefit of the

Over the past year, for example, the IDU has obtained the participation of life assurers in the Eskom

Spira: Are you concerned that a new government might look upon the life assurance industry as a soft target for raising additional revenue?

Levett: The assets and profits anamed by life assurers are managed for and hehalf of their clients and policyholders. Unduly high taxes would seriously prejudice the millions of ordinary men and women who are policyholders. It would also act as a disincentice for people to make provision for their own future, and the burden would devolve on the state.

These considerations. I think, would deter a government

from imposing inappropriate taxes on life assurers.

Spira: Old Mutuat has a growing life assurance business in Europe. What are its prospects?

Levettz Our group in Europe, the Providence Capitol Group, has recently extended its international operations to Ireland, Based in Dublin, Old Mutual International will be marketing life and investment products to Europe. It is envisaged that the tax advantage its position in Ireland affords will provide opportunities to sell into

The other companies in this group are UK-based Providence Capitol Life Assurance, which also markets life assurance and investment products, and Providence Capitol International, which is based in Guernsey, and specialises in marketing products designed to appeal to expainates throughout the world via its extensive broker

Both these operations show tremendous growth, whilst also giving us here in Africa a window into international trends against which we can set our standards.

Spira: Do you envisage other foreign operations for



Mike Levell

Old Mutual, especially in Africa, where former

Levett: Old Mutual could quite well involve uself in other foreign operations in the future, but each would have to meet strict investment criteria. Our focus, however, will remain serving our vast client base in

southern Africa. Opportunities to expand into new foreign centures will be evaluated positively and within realistic parameters. We recognise that in some African countries the environments have become more flexible, allowing for the possibility of offering the benefits of mutual life assurance deeper into Africa.

Again, thrugh, out objective remains to look after the interess of our existing policyholders in Kenya, Malawi, Zimbabwe, Namibia and, of course, South Africa before any expansion into new countries will be considered. still too early to say whether the new development. to which you refer will provide attractive opportunities

Spira: Are people of colour progressing in South Africa's assurance Industry in general, and in Old

Leveta: The imbalances of the past cannot be rectified overnight, and this is also true of the assurance industry. But we are all making a concerted effort to create greater

Since 1975, Old Mutual has been actively involved in this area, based on emerging markets and the need for appropriate service. There is still foom for development, and we are pursuing this. However, our past approach has been vindicated in that people from all backgrounds. compete on an equal basis, and many blacks are now

Spira: Is the increasingly affluent black market a

Levett: The proportion of policies issued to black people has increased significantly over the past 20 years. This has happened as a consequence of redistribution of income and real growth in black people's incomes. meaning that proportionately ntore people are able to afford Old Mutual's wide range of products. We expect thic process to continue in the next few years.



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Clinton plans crime crusade

# Headway in Congress on gun control

By Nancy Dunne

US congressional leaders were yesterday negotiating a final version of gun control legislation, after the Senate, under extreme public pressure, passed a bill on the issue by 63

The Brady Bill, named after its chief proponent Mr James Brady, who was wounded in a 1981 assassination attempt on President Ronald Reagan, imposes a waiting period of five business days on tha purchase of hand guns. The waiting period would give deal-ers time to check the hackground of gun purchasers.

The Senate decision came in response to a flood of voters' telephone calls at the weekend which forced Republicans to abandon a filibuster that had threatened to scuttle the legis-

"It's time to put the Brady bill behind us," said Senator Robert Dola, the Republican leader yesterday. Nonetheless, he voted against the hill. The bill provides for \$200m (£134.2m) in funding to establisb a nationwide computerised system for the instant record check on would-be gun pur-

chasers. This is designed to keep guns out of the hands of

convicted criminals and the

Mr Brady, a haunting figure in his wheelchair as he lobbied for the legislation, said he was glad the Republicans bad "come to their senses" to end the filibuster. "The way to stop the carnage on the street is with this small step," he said.

A separate crime bill, passed by the Senate, has additional gun control measures in a ban on the production and sale of some semi-antomatic assault weapons, a ban on the sale of hand guns to juveniles and an eod to the sale of armour piercing hullets. While these measures are

minimal by international standards, many individual states have moved to tighten gun control rules even further. Senator Patrick Moynihan, a New York Democrat, has talked of taxing the sale of ammunition.

President Bill Clinton has suggested he might be willing to ban sales of some types of

Now that anti-crime legislation is due to be signed, Mr Clinton is preparing a public crusade against law-breaking. According to the Washington

Post, an inter-agency group including presidential aide Mr David Gurgen is planning a number of presidential trips to stress community efforts against crime. The president is expected to link it to family



Palestinian policemen in training yesterday at Amman. They are part of a 15,000-strong police force for the Gaza Strip and Jericho being trained in Jordan and Egypt.

Amount Press

# Rabin hails US pledges on defence and economy.

**NEWS: INTERNATIONAL** 

Mr Yitzhak Rabin, Israel's prime minister, returned from a 10-day visit to North America yesterday triumphantly saying he had won US eco-nomic and defence assurances which would bolster the Middle East peace process.

The strengthening of Israeli-US relations, a key factor in the electoral victory by Mr Rabin's Labour party last year, is critical for the prime minister to continue to win Israeli domestic support for his peace drive and assure the public of its future security. Mr Rabin said President Bill

for 1995 and "later on", despite a shrinking US foreign aid budget, and had agreed to supply Israel with advanced aircraft and other missile and weapon systems. The US had also agreed to lift current bar-riers on Israeli purchases of advanced US technology. including supercomputers,

which would ensure Israel's military edge over Arab states. Israel, the prime minister said, hoped to get a significant quantity of US military surplus equipment, such as 50 F16A jet fighters over the next two years. The weapons would be supplied "almost for Clinton had promised to main- free" because of cuts in the

The US understands our security needs," Mr Rabin said

at Ben-Gurion airport. Mr Rabin said he had also discussed peace talks with Palestinions, Jordan and Syria, to prepare for the visit of Mr Warren Christopher, US secretary of state, to the region next month and he indicated he favoured a US-brokered secret channel of talks with Damascus. Israeli officials, however, said after Mr Rabin's Washington talks that Syria was priority number three after implementing the peace accord with Palestinians and having an official signing of a

# Donors likely to restore some Kenya aid

By Leslie Crawford, Africa correspondent

A meeting of Kenya's donors in Paris today is expected to restore a measure of financial assistance to President Daniel arap Moi's government despite continuing concern over corruptioo and tribal massacres.

Diplomats in Nairobi say governments are torn between the wish to support the eco-nomic reforms of Mr Musalia finance minister, and their alarm at Kenya's deteriorating political situation.

Two years ago, the World Bank, International Monetary Fund and donor governments suspended balance of pay-ments support to Kenya after a series of broken promises on political and economic reforms. The aid was worth \$350m a year. Its loss plunged the economy into recession and led to

debt-servicing arrears.

Most donors agree Kenya has made impressive economic strides in the past six months. Mr Mudavadi has curbed inflation, liberalised trade, floated the shilling, and cracked down on financial wrong-doing in the banking sector. He has even managed to dislodge some of the worst abusers of public office from their sinecures at the Central Bank.

overshadowed by the treatment of Kikuyu peasants, Kenya's largest ethnic group. More than 1,000 have been killed. and tens of thousands bounded Only a few days ago, Mr out of the fertile Rift Valley in what diplomats, the clergy and human rights groups believe is

by members of President Mor's coalition of misocrity tribes. "The question of ethnic

a terror campaign orchestrated

However, progress has been of our discussions in Paris," said Mr Henning Kjeldgaard,

> Mudavadi brought together the diplomatic community and senior government officials to defuse concern over the ethnic clashes. Diplomats were assired the killings would stop and that Kiknyus would be resettled in their former home-

### 'Quarrel' sparked SA killing

A Johannesburg gun battle in which Mrs Winnie Mandela's driver-bodyguard was shot dead beside ber was a nonpolitical street quarrel, police said yesterday, Reuter reports from Soweto.

But the African National Congress called for further investigation of the possibility gunmen had tried to kill Mrs Mandela, the estranged wife of the ANC leader.

A total of 18 shots were fired in the fight which took place in street crowded with revellers attending a festival. Mrs Mandela was unharmed.

# Spotlight on work | Setback for talks safety in China

By Simon Holberton in Hong Kong

One of China's worst industrial accidents, in Sbenzhen, the country's showcase for economic reform, has underlined the other side of the country's modernisation drive - the parlous state of workplace safety and conditions.

More than 100 workers. mainly young women, were killed and injured when a toy factory caught fire late on Friday night. By yesterday the death toll had risen to 81 and injuries, mostly burns, to 31. Faulty wiring was blamed

for the fire in the Zhili toy factory, a Sino-Hong Kong joint venture employing 200 in the town of Kuiyong.

But the scale of casualties reflected the factory owner's practice of barring doors and windows to keep people inside the factory during work hours. More than 50 bodies were found behind a locked gate. In 1992, more than 15,000

workers were killed in industrial accidents, confirming fears held by such institutions as the International Labor Organisation that safety standards in China are extremely

# on Hong Kong

Hopes of even a partial settlement to Anglo-Chinese differences about Hong Kong's political development diminished at the weekend when Beijing hardened its position in the 16th round of bilateral

It is understood that during the two days of negotiations in Beiling Chinese officials backed off from an offer to settle the so-called non-controversial aspects of Governor Chris Patten'a plans for Hong Kong's democratic development. . The two sides resolved, how-

ever, to hold a 17th round of talks in the Chinese capital. starting on Friday, on arrangements for the colony's 1994 and This could be the last round

if the UK stands by Mr Patten's # legislative timetable calling for the introduction of his bill on December 8.

The Foreign Office official leading the British team said another round of talks was consistent "with our bope of a faster rhythm of discussions from now". He said Britain still hoped "it will be possible to reach an agreement on some of the uncontroversial issues".

# Brazil corruption hearings strain party

By Angus Foster in Brasilia Senior politicians from the Party of

the Brazilian Democratic Movement (PMDB), the country's largest party, are holding talks which could lead to a split in its ranks ahead of next year's presidential elections.

The talks reflect worries that the party has been seriously harmed by corruption hearings which are under way

The bearings, which have accusad several leading PMDB figures of corruption, are also seen to be helping the presidential ambitions of Mr Luiz Inacio Lula da Silva, the candidate of the left-wing Workers Party (PT).

Politicians from the PMDB'a so-called "ethical" wing, which has not been tainted by the hearings, are considering whether to try to link with the country's other centre-left party, that of Mr Fernando Henrique Cardoso, the finance minister. The alliance would then be likely to support the presiden-tial bid either of Mr Antonio Britto, a

PMDB minister, or Mr Cardoso. Such an alliance is complicated by regional factors. In states where both groups are strong, for example, one side would need to agree not to run candidates in congressional and gubernatorial elections, also set for next year.

But, according to some PMDB figures. an alliance is the best way to split from tha competing wing of the party, which has been involved in the corruption allegations and is controlled by Mr Orestes Quercia, the still powerful for-mer governor of São Paulo state.

In the hearings, investigating allega-tions of corruption schemes involving funds from the government's hudget, five of the eight main individuals so far accused come from Mr Quercia's fac-

Any alliance would probably have to

be agreed before Christmas, in order to comply with election rules on party affiliation. The shortage of time means the two sides may agree to an unwritten understanding rather than a formal alliance.

However, opinion polls released yesterday suggest the party needs to act

Since August the popularity of "Lula", as the PT candidate is known, has increased by four percentage points to 31 per cent. His nearest likely contestant is Mr Paulo Maluf, the right-wing mayor of São Paulo, with 12 per cent, while Mr Cardoso is stuck on 7 per cent.

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# in crucial Gatt talks

By George Graham in Seattle and David Dodwell and Frances Williams in Geneva

European trade negotiators arrive in Washington today for a two-day meeting with US counterparts that is likely to determine the shape and scope of the Uruguay Round package of world trade reform.

"I am confident now that there will be an agreement by December 15," the deadline set for an accord, a European Union negotiator said before departure. "The Washington meeting will decide whether it is a big deal, or something more modest."

While warning that a "small package" would be much harder for national govern-ments to ratify, he signalled that outstanding differences over protection and subsidies for steel presented a stumbling hlock. Negotiators would be trying to "reduce matters to an absolute minimum" - focusing on market access, trade in services, anti-dumping rules, subsidies and disciplines over support for steel and aircraft.

The Washington meeting between Mr Mickey Kantor, US trade representative, and Sir Leon Brittan, EU trade commissioner, will allow EU nego-tiators to learn how events of the past week have influenced US strategy towards completion of the Uruguay Round. The EU has been a spectator during the approval by the US Congress of the North American Free Trade Agreement and the US courtship of Asian nations at the Asia-Pacific Economic Co-operation summit in

US officials said at the weekend they believed that winning

Nafta had strengthened their hand in the Urnguay Round negotiations and had improved prospects of congressional sup-

port for the Gatt deal. -"A good consequence of the Nafta win is that while we really would like a deal, we don't have a high octane political need for nne. When the president says we want a good one, we can mean that," an administration official said.

The Senate voted Nafta through on Saturday by 61-38. A total of 34 Republicans joined 27 Democrats in favour of the measure; 28 Democrats and 10 Republicans opposed it. As the Uruguay Round approaches December 15, after Which President Bill Clinton will lose his fast track authority to negotiate without lineby-line congressional ovar-sight, the White House believes that the Nafta battle has reestablished a constituency for

free trade within Congress. Mr Clinton said that the US would "not accept a flawed agreement" but added that a good Gatt deal could create L4m jobs in the US over 10

Tom Burns adds from Madrid: President François Mitterrand of France underlined that the road to a Gatt agreement remained rocky when he used bilateral-weekend talks with the Spanish government in Madrid to deliver a stinging attack on what he said were bullying US tactics following the Naffa accord.

He was supported by Mr Edouard Balladur, prime minister, who warned in a joint press conference with Mr Mitterrand and Mr Felipe Gonzalez, Spanish prime minister, that the US would have to

# EU and US Weary Clinton sets sights on Pacific goals

The President showed new-found enthusiasm for the region at the Apec summit, writes George Graham

speech before leaving the Asia-Pacific summit in Seattle at the weekend, one might have thought President Bill Clinton had suffered a dismal week rid-dled with defeat. In fact, be left the summit as he arrived - riding high.

"Other than being tired, and he is very tired, he is loving it," a senior administration official said.

Mr Clinton came to Seattle fresh from victory in Congress on the North American Free Trade Agreement, and left after a step towards an amhitious vision of the US as a country that looks not only to the Atlantic hut also, perhaps with keener interest, to the

This vision is rooted in Mr Clinton's destre to place eco-nomics at the core of US foraign policy. In his election campaign last year Mr Clinton articulated the belief that US johs depended on exploiting

looks and weary tones as he delivered his final make a "gut connection" until the summit of the Group of Seven industrialised nations in Tokyo in July.

His message sharpened by the Nafta debate, Mr Clinton last week in speeches in Seat-tle closed the circle between international security policy. international economic policy and domestic economic policy. "We cannot remain strong

abroad unless we are strong at home," Mr Clinton said. "Stagnaut nations eventually lose the ability to finance military diness, to afford an activist foreign policy or to inspire allies hy their example." At a time when wealthy nations must become ever

more productive to meet com-petition from both low wage countries and highly skilled countries, the only way they can increase johs and raise incomes is through expanded trade. "There is no alternative. No-one has yet made a con-vincing case that any wealthy

country can lower unemployment and raise incomes by closing up its horders. The only way to do it is to expand global growth and to expand each country's fair share of global trade," Mr Clinton said.

This emphasis on export opportunities has led the US inexorably towards the Asia-Pacific region, which is not only by far the fastest growing segment of the world economy but also the area with which the US has the largest trade deficit. Japan and China hetween them account for more than two thirds of the entire US trade deficit.

At the same time, Mr Clinton in Seattle directly linked US military presence in the Pacific and its security treatles with five countries in the region to expanded market access

"We do not intend to bear the cost of our military presence in Asia and the hurdens of regional leadership only to growth that that stability brings," be said.

lous not to snub Europe. The approved formula adopted by even the most Asia-minded US officials, such as Mr Winston Lord, assistant secretary of state for the region, is that "no area will be more important than Asia," and Mr Clinton himself insisted that Europe remained "a central partner for the US in security, in foreign

policy and in commerce". But many senior officials can scarcely conceal the feeling that all Europe has to offer them is mature markets with few opportunities for expanded US exports, foreign policy nightmares such as Bosnia, and an unimoginative and

backward-looking pessimism. Turning Mr Clinton's newfound enthusiasm for the Pacific into something concrete may prove difficult. In the first place, the administration's approach to realising its goals in the region is largely built on combining divergent policies previously seen as incompatible alternatives: engaging

The administration is anx- China on trade issues while taking a tough line on human rights; aggressively pursuing bilateral trade initiatives while pressing on with multilateral talks in the Gatt round; seeking to expand its free trade agreements in Asia and Latin America at the same time.

"We want it all," says Ms Joan Spero, undersecretary of state for economic affairs, while experts from the Bush administration scoff at their successors' inability to set pri-

Second, many Pacific nations including even those with a more western heritage, such as Australia - resent the US efforts to link its own values, such as human rights, market economics and democracy, to trade. Asian leaders look at a US heset by hudget deficits, governmental gridlock and vio-lent crime, and question whether this is a price worth paying for greater democracy.

Third, many Asian members of Apec have shown reluctance in Seattle to get sucked into

Clinton's "new Pacific commu nity," in which Apec could play the same role of anchoring peace and prosperity in Asia that Nato played in weathering the Cold War in Europe. Several countries remained wary of any attempt to institutionalise Apec with larger hureaucracy and more

regular meetings.
US officials describe these reticences as "hirthing pangs," and for all their doubts. Apec leaders took several steps in the US's direction. They agreed tariff cuts as a token of sincerity in final Gatt negotiations, accepted the US proposal for a meeting of Apec finance ministers, and agreed ou a leaders' summit in Indonesia next year.

But the US's Asia vision has a long way to go before, as Mr Clinton hoped, "future generations may look back and say they can't imagine bow the Asian-Pacific region could have thrived in such a spirit of

# Hosokawa wins respite in battle on market access

Japan's government has won a breathing space to press ahead with its political reforms sure to open its markets and stimulate its economy.

US officials are increasingly convinced that Mr Morihiro Hosokawa, Japan's prime minister, is bringing real change to his country's political system, and are willing to wait until he can win this battle in the Japanese parliament before pressing their demands for access to the Japanese market.

President Bill Clinton, fresh from a hruising struggle to win congressional approval of the North American Free Trade Agreement, sympathises with Mr Hosokawa's political diffi-

"The president clearly sees political reform as Hosokawa's Nafta," a senior administration official said, echoing Mr Hosokawa who said the next legislative hurdle, in the upper house, for his reform plans would be just as difficult as the

Nafta debate was in the US. US officials insisted they were not disappointed that the bilateral meeting had yielded no specific progress either on opening the Japanese rice market or on the additional measures to stimulate economic growth that the US believes Japan should undertake.

Mr Clinton said he hoped the two countries would over the coming months take action to

boost the world economy By next June or July, cer tainly by a year from now, I believe that the responsibilities of the United States and Japan to do more to promote global economic growth will have been in large measure advanced," be said.

Mr Hosokawa, however, sald later that he had no idea what Mr Clinton was talking about. Senlor US administration officials said they still helieved further stimulus to demand in the Japanese economy would be timely, but said there could be no question of the US trying to dictate to Japan the size o timing of a tax cut or tax

reform programme. Progress on bilateral trade issues is unlikely to materialise until the days before Mr Clinton and Mr Hosokawa next meet on February 11.

The pattern historically is that change occurs at the eleventh bour. We will have to see if the three key areas of procurement, insurance and automobiles yield concrete results or not," a senior administratioo official said.

But Mr Hosokawa repeated Japan's opposition to setting numerical targets for foreign market shares, and insisted that the bilateral trade talks could not be a one-way street.

"We will do our best with regard to market access, but efforts will have to be made on the US side to improve its com-

# Chinese leader cuts a figure on the world stage

By Alexander Nicoli in Seattle

China's President Jiang Zemin did not quite go to the extent of donning a ten-gallon hat -as did his patron, Mr Deng Xiaoping, when he visited the

impact as a world leader during the weekend summit in

Mr Jiang talked expansively but uncompromisingly in a 90minute session with President Bill Clinton. He had individual meetings with leaders of Indonesia, Australia, South Korea, Canada, Japan and Thailand. He dropped in on a "typical"

middle class American family, handed out a stuffed panda and a doll in exchange for cookies and a picture of Sleeping Beauty, and brandished pictures of his grandchildren.

For Mr Jiang, the summit could not have been held in a But the crusty Communist more symbolic city than the home of Boeing, which domihas bought more than 200 Boeing aircraft since the 1970s and is the company's biggest foreign customer. Thanks to the country's economic boom and renewal of its infrastructure, it promises to remain so.

> But if Mr. Clinton removes China's most favoured nation trading status, as he threatens to do next year, Seattle would

fear the consequences. Visiting Boeing's Everett plant, Mr Jiang pointedly thanked Mr Frank Shrontz, Boeing's chairman, for the company's efforts to maintain China's MFN status. Chinese officials repeat-

suffer if MFN is revoked. Mr Clinton, after several has embarked on a new policy of closer engagement with China, involving higher-level and more frequent discussions than had occurred since before the Tlanaumen Square killings

However, he made clear to Mr Jiang this does not imply a lessening of US pressure on China for improvements in human rights, market access discuss the North Korean and nuclear non-proliferation - nuclear threat and indicated and nuclear non-proliferation all conditions set by the US president for MFN renewal next June. On human rights, Mr Clinton

spelled out specific demands edly pointed out the US would for International Red Cross access to Chinese prisons: release of political prisoners dialogue by Beijing with the Dalai Lama, the exiled Tibetan spiritual leader, and access by US customs officials to ensure prison-made goods are not

exported to the US. Mr Jiang delivered a 15minute statement on the diversity of the world's nations and the need not to interfere in each other's affairs. But he did

China was prepared to discuss the issues which were of concern to the US.

Both men said the meeting was a "good beginning". Mr Clinton said it "established our determination to build on the positive aspects of our existing more candidly and personally than we have in the past the problems that remain".

China had not been expected to give ground in so public an arena as the first meeting between the two presidents. But Mr Warren Christopher. secretary of state, was encouraged that they had met, that Mr Jiang had not refused to "engage", and that they had "a vivid and animated discus-

Despite China's rejection of US demands, stepped-up and forthright dialogue seems likely to continue, with endyear deadlines looming for resolution of market access and textile disputes and congresslonal hearings on the MFN issue due in January.

Mr Mickey Kantor, US trade representative, said Beiling's trade surplus with Washington could reach \$23bn (£15.6hn) this year and described it as "politically and economically unacceptable." Ms Wu Yi, China's trade minister, responded that "China has never heen afraid of sanctions."

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big idea was Fire. And we got our fingers burned in a big way. This time it's Wheel. Wheel, schmeel, get out of here."

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#### INTERNATIONAL PRESS REVIEW

#### Saudi Arabia

If Saudi newspapers reflect official policy, Israel would be wise not to begin counting its diplomatic and economic chickens in the Middle East before the outline peace iberation Organisation is well and truly hatched. Whatever progress Israel may have made on softening a formerly hostile media in other parts of the world, for journalists in Saudi Arabia it remains a subject ripe for plucking.
The visit to Washington last week

by Mr Yitzhak Rabin, Israel's prime minister, was a chance not to be missed. "Peace dividends or fruits of aggression?" was the rhetorical stion posed on the opinion page of the daily Arab News. "Jewi leaders are making use of the (PLO) reement to rob the world powers and force them to respond blindly to their demands", it maintained of Mr Rabin's talks with President Bill Clinton.

Elsewhere editorial writers urgent need for financial help in the in territories, with "Americal taxpayers' money showering down on israel with hardly any restraint." They professed amazement "at how far the US is bending over backwards to try to please the

Why they should be amazed is more difficult to guage when Saturday's leader column in the Saudi Gazette explained that the US is prone to "occasional fits of writer that the US galloped to the rescue when Iraq invaded Kuwait, presumably in one of its saner moments. What so upset him was the US and the UN "tightening the noose of sanctions around Libya's nack" and trying to impose some sort of "biblical justice" on an Arab people at a time when genocide was continuing against the Moslems

For the record: Saudi Arabia officially supports the Israeli-PLO



Nuns vote in Rome yesterday: the scandal-ridden Christian Democrats are set to be big losers

ocess and is closely allied to the US; it is disgusted with the response of the US and the. Europeans to events in former Yugoslavia; and local newspapers do not get much opportunity for expressing strong opinions on events closer to home.

#### Nigeria :

General Sani Abacha, Nigerie's new ricle from the local press, even though his first action was to allow some national dailes banned since last July back on the if the state of a country's press

were the only yardstick, democracy would seem to be flourishing in Nigeria. Few countries in Africa can boast such an array of newspapers - over a dozen on sals each day in Lagos, and at least a dozen more available in the rest of the country. It takes more than a coup to inhibit editors who have had to work under military governments for more than 20 of the 30 years since independence.

Not surprisingly, Gen Abacha'e removal of Chief Ernest Shonekan. civilian head of a military-backed

government, pushed the clamour against a seven-fold increase in fuel prices off the front pages. "Shonekan resigns, Abacha ta

over government" ran the Guardian's dine on Thursday, before the full impact of the action by the military to oust Mr Shonekan had become clear. By Saturday the moset of Gen Abacha's abolition of all elected civilian bodies was

The Guardian, the most respected independent daily in Nigeria, also reported the first foreign reaction. Under the heading "Britain deplores change", it quoted foreign secretary Douglas Hurd's condemnation of military rule.

#### Italy

With such headlines as "The War of the Mayors" and "Mayors of the new Italy", the outcome of municipal elections dominated the Italian press lest week, pushing aside the endless flow of corruption revelations.

La Repubblica summed up the political battle by saying: "Occhetto versus Bossi and Fini, Martinazzofi risks his job." Mr Achille Occhetto, leader of the formerly communist Party of the Democratic Left (PDS) the Italian left at last is a credible contender for national government. To do this, the PDS no longer has to beet its historic rival, the Christier Democrats, but rather the protest vote on the right of Mr Umberto Bossi's populist northern League and the neo-fascist MSI of Mr Glanfranco FinL

Mr Mino Martinazzoli, according to La Repubblica, risks losing the leadership of the Christian Democrats if the party performs poorty - as all the papers predict. Corriera della Serra vesterday observed that the Christian Democrats were relying on the

the scene with the unseasonal cold weather. Headlined "The forecast", the cartoon shows Mr Bossi pushing a snowball down from the icy north towards central Italy which in hum is receiving the cold wind of the right (a reference to the strong right-wing protest vote expected in Rome), and Mr Martinazzoli under an umbrella in the south.

The one piece of good news

agreed by all was Italy's success

the US president's surprise victory Contere's chief cartoonist sets

Ireland

in securing a place in the World

t was soccer too which drew the ologost headlines in the Irish Republic's press, overshadowing ondon's and Dublin's latest peace efforts for Northern Ireland. The World Cup qualifying round

between the Republic of Iretand

and Northern Ireland last Wednesday was played at Belfast's Windoor Park in front of an almost exclusively, and very hostile, Protestant crowd. The one-all draw was sufficient for the Republic to qualify, but more important for the political columnists, the match provided a handy judgeosition for them to score their own points.

As one in the Irish Times wrote,

the match \*may have done more

than acres of print and yards of film colsened cas of communal conflict More sportingly, Fintan O'Tools, also of the trish Times, who described how out of consideration for his physical integrity he spent the match pretending he was a Protestant, had an upbest view of the result. It produced, he said, "something it's hard to see in Belfasi

in which everybody has won". The Irish covernment must have thought it had scored an own goal last Friday, when it discovered its negotiating position revealed in full detail in the Irish Press daily paper. Who leaked the story? Some papers pointed to an emerging conflict

- triumph without victory, joy for

one side without deleat for the other,

positive outcome to the political final - the Anglo-Irish summit in Dublin next month, but the commentators are preparing their readers for what might be an

pride at nobody's expense, a game within the Labour-Flanna Fail Expectations are high for a

inconclusive draw on home ground. Contributors: Robert Graham in Rome. Tim Coone in Dublin, Paul Adams in Lagos and Roger Matthews in Riyach

Britain in brief

City share

system to cost

'£30m-£40m'

The new share settlement

system proposed for the City

will cost about half as much as

the Stock Exchange's falled

Taurus project - according to details to be unveiled later

Howaver, becausa the pro-

posed Crest system will not be

nearly as sophisticated as Tau-

rus, individual companies are

likely to have to spend more

developing their own com-

puter link-up systems.

Specifications from the Crest

£40m compared with the esti-mated £75m for Taurus.

ITV braced for

this week.

# Major seeks to reassure Ulster Unionists

By Philip Stephens

By David Goodhart,

48-hnur week limit.

pectedly succeed.

The European Union's controversial working time

directive will he formally

Buth the British government

and employers say that the

sting has been drawn from the

directive - especially in rela-

tion to the attention-grahhing

But there is still plenty of

regulatinn in areas such as

night work, and statutory huli-

days, which could require fun-

damental changes in three

years time. By then the direc-

tive will have to he imple-

mented in Britain unless the

British government's legal

challenge to it should unex-

Fundamental changes have,

indeed, heen achieved. For

British employers alone there

will be oo 48-hour week limit

for at least 10 years, although

no employee can he farced to

Even for employers in other

member states the "reference

ing week must not exceed an

average of 4S hours will be a

minimum of 4 months and,

with union agreement, a maxi-

But the entitlement to paid

annual holidays of at least four

weeks per year could have a

hig effect in Britain, where hol-

iday provision, like much else.

has no statutory underpinning.

the four week rule must be

It is not yet clear whether

mum of 12 months.

period" within which the work-

work more than 48 hours.

Labour Editor

Mr John Major, the prime minister, last night moved to regain the initiative in the Northern Ireland peace process hy reassuring the protestant majority they retained an absolute veto over any change in the status of

After the weekend disclosure of fresh talks between Mr John Hume.

**Britain faces** 

European rules

writes.

is to halve the time for which

the 715,000 unemplayment

benefit claimants were eligible for the £44.65 a week benefit

If plans to halve the benefit

period go through, the johless

would have to rely nn income

snpport, which is pegged at

£44 a week for a single adult

hnt which is means-tested to

exclude those with savings of

applied on a pro-rata basis to

part-time workers, for example.

These are important questions

in Britain because of the 2.2m

employees with oo paid holi-

days, fewer than 20 per cent

work 16 or more hours a week

with at least one year's contin-

uous service with an employer.

more than £8,000.

from a year to six months.

the SDLP leader, and Mr Gerry Adams of Sinn Fein, Downing Street flatly rejected any possibility that a revived Hume-Adams peace plan could form the basis for a political

The prime minister's office similarly dismissed weekend speculation that it might respond to a cessation of violence with an amnesty for terrorists. It declared that the presence and number of British troops in the province could not be a subject for negoti-

That was coupled with a strong reaffirmation that the Government's "constitutional guarantee" to the people of Northern Ireland meant that the democratic rights of the majority would never be prejudiced.

Mr Major is relying on the support of the nine Ulster Unionist MPs to get through controversial legislation at Westminster. More importantly, the

prime minister is aware that without Mr Molyneaux's backing it will be impossibla to secure a political settlement in Ulster.

Officials said detailed proposals handed hy the British to the Irish government for a new constitutional settlement in Ulster did include recognition of Duhlin's aspiration to a

united Ireland But the British draft of a new accord to replace the 1985 Anglo-Irish call for a significant element of joint responsibility in the administration of the province.

The Irish prime minister yesterday offered an upbeat assessment of the possibility of a permanent cessation of violence by the IRA and its loyalist counterparts. Mr Reynolds also distanced himself, though rather more gently than the British government, from tha Hume-Adams initiative.

# Fax service for weather

From today the Met Office Introduces Weathercall Fax, enabling fax users to dial np Instant copies of the latest charts, graphics and written forecasts. There are estimated to be 1.25m fax machines in the UK.
The Met Office has devel-

private London company. Callers can select 24-hour and five-day forecasts, covering any of 27 local areas. seven regions or the whole country. They can even choose to receive the latest satellite pictures taken from 36,000km up in space - though these take six minutes to come

forecasting

oped the service with Telephone Information Services, a

this week prompted the Meteo-rological Office to rush forward the launch of a new way to deliver weather forecasts -hy fax, Clive Cookson writes.

The government is expected to announce this week details of a significant degree of liberalisation of ownership rules govern-

liberalisation

ing ITV companies. All the signs are that the most restrictive forms of change, allowing only one or wo companies to change

hands have been rejected. At the moment the nine largest ITV companies are unable to take each other over under the regulations in the 1990 Broadcasting Act. A liberalisation that would allow one company to hold two large licences plus one of the smallest six ITV licences would enable a considerable degree of consolidation to take place in the ITV

Pressure for green' farming

UK farmers are being paid £45.39 per hectare to leave land lying fallow but only £2.31 per hectare to manage their land in an environmentally sensitive way, according

to figures published today hy three environmental groups. The lobbyists are calling on the government to introduce "green" reforms to so-called EU set-aside schemes which pay farmers to take land out of production.

#### Societies 'may broaden funds'

The UK Building Societies Commissioner has raised the prospect that powers in the de-regulation hill now before parliament could be used to allow societies to raise more of their funds on the wholesale money markets, enabling them to be more competitive.

Mrs Rosalind Gilmore said there was "no huge magic" about the present limit of 40 per cent of funds which societies can raise on the wholesale markets, set by the Building Societies Act 1986.

Below this overall ceiling, each society has a different advisory committee, which is sponsored by tha Bank of England, will carry an esti-mated price tag for building the central system of £30m to limit. The average is about 30 per cent.

#### Retailer vows to compete

Mr Stanley Kalms, chairman of Dixons, Britain's leading high-street electrical retailer, last night said he would compete "ruthlessly" with new US-style warehouse clubs which

undercut goods in his shops. But he denied telling suppliers that they would have to decide whether they would sell to Dixons or warehouse clubs such as Costco - the first of which opens soon in Essex offering cut-price shopping to

#### Few companies buy machinery

Pewer than 15 per cent of British companies increased investment in machinery and plant this year in spite of the temporary introduction in late 1992 of 40 per cent, first-year capital allowances, according to 2 Stuvey.

The results of the Lombard business investment survey, carried out for Lombard North Central, the leasing and hire purchase subsidiary of National Westminster Bank, come a week before the Budget which industry hopes will contain further measures to boost industrial investment.



Policemen yesterday in St James's Park, London, which has not seen snow in November since 1969

# Eurotunnel rejects accident delay

Fears that the start of services through the Channel Tunnel might he delayed by an accident involving an overhead electrical power line were groundless, Eurotunnel, the operating company, insisted

The imposition of the work-The incident is reported to ing time directive on Britain. have happened on November 13, when 25,000 volts were sent albelt in watered down form, will serve to mark another small step towards British condown the main power cable and hit an ahandoned metal vergence with continental trabar which then caused an

A Health and Safety Executive official said the incident was immediately reported and was being investigated. Agency investigators had visited the scene and would return this

The HSE said the incident happened during testing of the system which took electric power to overhead catenary which carried overhead cahles through the tunnel.

The tunnel was cleared of work personnel. The power system was tested, there was an overload, a flash and some

brought to a halt. The test procedure worked inasmuch as it showed up a fault," said the HSE spokesman.

TML, the contractor, said the incident happened 7km from the UK end of the tunnel. where it is still under land, while a series of tests were taking place. Ahout 375 metres of over-

head cabling was affected. The area had been cleared, as part of standard safety procedures, and no-one was hurt. Only the catenary electrical

system was damaged and repairs were scheduled to be completed tomorrow. The cost of repairs was not

yet known hut would not be

Eurotunnel pointed out the cost would be borne by TML. Mr John Noulton, Eurotunnel's director for public affairs, said that some reports of the incident had been grossly exagger-

Damage had been restricted to a feeder cable and "it appears at this point that just one insulator failed," he said.

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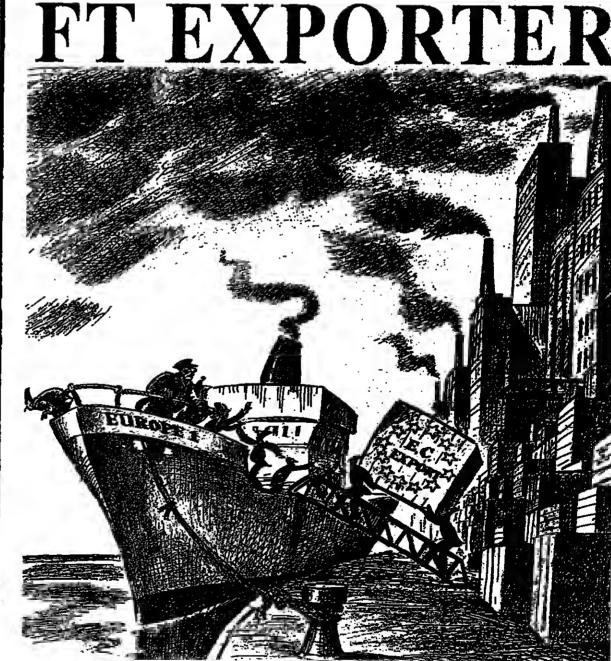
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Worthington Group **■ TOMORROW** 

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Hewetson

COMPANY MEETINGS: Baillie Gifford Japan Trust, 1 Rutland Court, Edinburgh

Smiths Industries, 765 Finchley Road, Childs Hill, N.W. 12.00 Trace Computers, 224-232 St. John Street, E.C. 2.30

BOARD MEETINGS: -.. Finals: Anglo Irish Bank Capital Radio Stratagem Unigroup Interims: Caledonia Inv. Falcon Marston, Thompson & Evershed Northern Foods Osborne & Little Readicut Tex Hides.

■ WEDNESDAY NOVEMBER 24

Thorn EMI

COMPANY MEETINGS: Enterprise Computer Hldgs., 4 Broadcate E.C. 3.00 Exmoor Dual Inv. Tst., 39 Victoria Street, S.W. 12.00 Merivale Moore, The

Grosvenor House Hotel, 86 Park Lane, W. 12.00

BOARD MEETINGS: Finals: Concentric Dunedin Worldwide **Ewik Save** Leveraged Opportunity Tomkinsons Yeoman inv Interims: **ABI** Leisure City of London PR Lowndes Lambert MI. Hidgs. Optometrics

Warnford Invs. THURSDAY NOVEMBER 25

Platignum

Powergen

Wagon Indi

COMPANY MEETINGS: Green (Ernest) & Partners Hidgs., 36 St. Andrews Hill. E.C. 12.00 Hong Kong Inv. Tst., Knightsbridge House, 197

Knightsbridge S.W. 11.00 Maunders (John) Grp., Holiday Inn Crown Plaza, Manchester,

BOARD MEETINGS: Finals China Inv. & Dev. Fd. McLeod Russel Morland Interims: HAA Chloride CEI

Hazlewood Foods

Multitone Elects. Macdonald Martin Distillers Multitone Elects. Policy Portfolio Powell Duffryn Scottish Power Shanks & McEwan South West Water

■ FRIDAY **NOVEMBER 26** 

Wah Kwong Shipping

COMPANY MEETINGS: Hooeysuckie Grp., 11 Regent Street, Leeds, 12.00 Lloyds Chemists, Red Lion Hotel, Loog Street, Athstone Warwicks, 10.30 Mancbester United, Armitage

Centre, Coiversity of Manchester, 11.00 Pict Petroleom, The Howard Hotel, 32-36 Great King's Street, 12.00 Pochin, Brooks Lane. Middlewich, Cheshire, 12.00 Tay Homes, Queen's Hotel.

City Square, Leeds, 230

BOARD MEETINGS: Finals: Clyde Blowers Perpetual Scottish Inv. Tst. Interims Dart Drayton Bine Chip NEC OMI Intl.

Vistec

Company meetings are annual general meetings unless otherwise stated

Please oote: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

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CROSS BORDER M&A DEALS

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#### Forthcoming Surveys in the FT

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BEDDER/INVESTOR

Basque Country: Recession takes its toll on the region's heavy industrial base

■ Thursday November 25

Belgium Banking and Finance: The struggle to survive and prosper in a wider market Turkish Finance and Industry: Preparing for the 1995 customs union with the EC

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other jurisdictions, have been advised, as have the police forces in

relevant jurisdictions. The Rothschild Family will, in addition, take

whatever measures are appropriate against the promoters of this

■ Friday November 26

Gloucestershire: Growth in financial services as defence sector retrenches

Monday November 29

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# American strike brings chaos to US airports

WHERE IN THE WORLD TRAVEL COULD BE TROUBLE

The strike by flight attendants at American Airlines enters its second week today with unions and management no oearer agreement, and thousands of flights still delayed or cancelled because of the industrial action, writes Patrick Harversoo to New York.

Yesterday American, the largest US carrier, said that nearly half of its scheduled flights were leaving with passengers. It also said the situation was improving each day, and that a growing oumber of striking attendants were returning to work. The union, however, claimed the majority of Americao flights were leaving with no passengers, and that over 90 per cent of its members were still on strike.

The strike, which is due to continue through to the end of this week, has caused chaos at airports across the US, stranding thousands of domestic and international passengers. Competing airlines, including Continental, Delta and Northwest, have scheduled additional domestic flights and said they severly disrupt travel. would honour any valid American ticket presented by passen-gers with prior endorsement by

endorsement by American. POLAND: Flights hetween London and Warsaw are still heavily disrupted by the dis-pute between the British and Polish governments over land-

Tokyo Hong Kong London Frankfurt New York Los Angeles Milan

Monday 2 12 2 24 0 0 0 -1 1 14 0 11 1 2 2 2 6 4

Wednesday 20 10 20 20 1 20 2 20 13 20 11 20 5 40 2 20 0

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Likely weather in the leading business centres

American On international flights, British Airways and

Virgin have said they would

hooour tickets with an

ing rights. British Airways has been hanned from flying to Warsaw, while Polish Airlines has been denied access to Heathrow. BA is flying passengers to Frankfurt and then bussiog them to Warsaw. SPAIN: A national strike planned for Thursday could

BELGIUM: On Friday Belgian unions are threating a national strike in protest at the government's austerity plan. FRANCE: Public sector unions plan further strikes against privatisation plans.

NIGERIA: The situation is very tense following the anoouncement of a military government, the dissolution of all democratic institutions and the banning of all political parshould be postponed. An indefi-nite national strike is disrupting business and services. internal travel and international flights. Industrial action might escalate to rioting, especially in the south west Residents should exercise caution.

There is a high incidence of street crime and armed robberies, especially in Lagos and the southern states. Travelling outside cities after dark is

Fraud is commonplace. Business people should check credentials of Nigerian contacts thoroughly. Those in doubt should consult the Department of Trade and Industry (Nigerian Desk. tel: 071-215-4966). MEXICO: Robbery in Mexico

> mosa. Avoid isolated beaches (Particularly around Puerto Escondido). GUINEA: Tension remains high in the run-up to December 5 presidential elections. No

Additional information from

ties. Non-essential visits City and other major urban areas is commorplace. There is particular risk on the metro (underground) and around bus stations. Only official airport taxis should be used. Take special care when using taxis late

> Because of incidents of robhery, visitors are advised that excepting travel on first class buses on the "Cuota" highways, it is unsafe to travel on roads outside major cities at night, and on the following

roads at any time: coast road between Acapulco and Puerto Escondido Highway 37 from Uruapan to Playa Azul (Particularly in the State of Guerrero)

 Highway 51 from Zitacuaro to Huetamo in Michoacan roads in the Yucatan Peninsula, especially Route 180 from Merida to Campeche and Route 186 from Chetumal to Villaher-

reports of violeoce in or around Conakry since disturbances in October, but visitors are advised to proceed with

Travel Advice Unit, Consular Department, Foreign and Commonwealth Office, Clive House, Petty France, London SWIH 9HD. Tel: 071-270-4129.

irlines desperate for in the slack winter

Across Europe, airlines are wooing their most lucrative clients, the business executives, with special offers. German and UK residents, especially, are on the receiving end of the best prizes, ranging from price cuts to free flights and overnight stays in luxury hotels. The airlines' main weapon is

the "frequent flyer" pro-gramme. When taking flights, members of programmes earn points which can be redeemed for items such as free tickets or upgrades to business class. Anyone can join an airline's frequent-flyer programme and there is no reason why someone should not join several. In the UK, British Airways' "Dream Ticket" promotion has

the highest profile. But behind the hype this is simply a promise to double the number of points collected for a flight taken before the end of March. This means that one businessclass return to New York would earn enough points for an economy return to Athens. In the summer, it would have taken two auch flights. As always with UK residents flying with BA, the deal only applies for first, husiness and full-fare economy tickets.

Many husiness travellers huy discounted tickets: in this case, US carriers such as American Airlines and United Airlines offer a better deal. Their double-points offer, for UK residents only, applies for virtually any fare available. On shorthaul flights, British Midland also gives awards to buyers of economy-class tickets.

For those living in Germany, this will seem tame stuff. BA and American Airlines will triple the points earned by Ger-man residents over the next few months. Cathay Pacific, the Hong Kong-based carrier, is offering enough points with one husiness-class return to the Far East between now and the end of December for a free bosiness-class ticket within Europe on Austrian Airlines or

The desperation to attract German passengers may be because of the depth of the country's recession. Mr Colin Rainbow, commercial director of Paris based travel agency Wagon-Lits, says that for the first time airlines are selling seats at less than published prices in Germany.

# How to win from the winter war

Daniel Green looks at special deals aimed at wooing customers



In any language the message is the same - good deals can be had

Danish residents, too, can find discounted tickets; business-class tares on Scandinavian Airline System on some short-haul routes have been cut hy 30 per cent. SAS is also offering business-class pas gers starting from the UK a free overnight stay in a Scandinavian hotel, provided the trip is made before the end of March. Alitalia has a similar scheme for flights from Italy to London before December 31. Business class passengers get a free night in a London hotel.

This is only a selection of the

deals on offer. And the tide of special deals is unlikely to ebh until spring. There is still a recession in the airline industry and over-capacity is widespread. That combination in recent years has meant fringe benefits and cost savings improve through the season.

If - like a quarter of Europe's business air traveilers according to a recent survey - your choice of carrier is determined by awards of frequent-fiver points, winter is a chance to push up your total

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\* WorldPerks members can earn miles on Northwest Airlines of KLM only. \*\* KLM of Transavia Business Class, Northwest First, Business and Y Economy Class. Any class on Air UK of KLM Cityhopper. Offer ends 31.3.94.

# Opera conductors, oui bus conductors, non

Michael Skapinker tests the new airport bus in Paris

Charles de Gaulle airport in Paris has its own way of adding to the disorientation of a traveller arriving in an unfamiliar city.

Getting to the city centre by rail involves a ride first on an airport hus to the nearby RER snhurban railway station. Then follows a battle to figure out how the RER connects with the Metro underground system, for French railway maps lack the clean-lined sim-plicity of their UK counter-

Hence the attraction of the new Roissy Bus service from the airport to the Paris Opera

in the centre of the city. The advantage of this service, which leaves the airport every 15 minutes, is that you use only one mode of transport. At FFr30 each way, it also

costs less than taking a taxi. However, the experience of a recent one-day trip to Paris from London suggests that the bus is best avoided. The vaga-ries of the city's traffic make the service too unreliable for anyone with appointments to keep and flights to catch.

My journey from Charles de Gaulle began at 11.35am. Despite repeated warnings of imminent traffic spart-ups on lighted signs above the motor-way, the hus kept moving. The only incident was a near collision with a car - shrugged off by both parties without any swearing or hooting. We arrived at the Opera at 12.18 pm - total journey time 43

The relatively painless ride resulted in a decision to take the hus back to the airport.

leaving the Opera at 6pm. With a British Airways flight back to London at 7.30pm, it was cutting it a little fine, but I assumed there would be less traffic on the way back than there had been at mid-day on my way in.

aviotions.

The

This was a mistake. The traffic leaving the city was so heavy that I finally arrived at the airport at 7.15pm - tight for time and only just able to get on to the light.

So it will be back to the railway in future. The same journey by RER and Metro costs FFr39.50 and should take about 40 minutes.

Understanding that system may requires a little concentration but it has the advantage of being reliable - provided no industrial action is taking

JOGGERS' GUIDE: New York

# In park with Madonna

For most business travellers to New York, fighting the locals for pavement space is the only

exercise they ever get.

In such a crowded, noisy place, who could imagine jogging, or even taking a leisurely walk? However, New York offers jogging and walking routes with ample breathing when they want the solitude

of woods and water, New York runners head for Central Park, the leafy, 843-acre urban sanctuary opened in 1876. The park's department says it has the city's lowest crime rate. But it recommends runners avoid the park at night and run with a partner if possible. One of the most popular routes in the park is a 16-mile gravel track around the Reservoir, the largest body of water in Manhattan. The access point is at 90th St. and Fifth Ave. The reservoir offers mallard on the water and occasional appearances by such celebrity exercisers as Jacqueline Kennedy Onassis and Madonna.

For a longer course, there is Central Park's auto loop - six miles of hard-surface road closed to traffic on weekends. The auto loop bypasses great expanses of woods and lawns. including one near West 72nd St called Strawherry Fields, which is dedicated to the mem-



ory of John Lennon A run in Central Park takes

you past many Victorian-era architectural gems. One is Belvedere Castle, built in 1872 of the same stone that is found thrusting dramatically out of much of the parks' landscape. With Norman, Gothic and Moorish features, it overlooks the Great Lawn's softball fields. Other popular access points to Central Park are at its south-east entry (Fifth Ave and 60th St) and south-west corner (Columbus circle).

In the thick of Broadway traffic, it might he hard to remember that New York is an island. But a refreshing jog along some of the city's water-front promenades will quickly set you straight. Skirting the

Hndson River, the one and a half-mile-long Battery Park City Esplanade begins at the downtown intersections of Chambers and West Streets.

It continues south almost to Battery Park and the tip of lower Manhattan. The route takes you past the World Financial Center and the North Cove Yacht Harbor. The Hudson kicks up stiff breezes. These are cooling in summer but blood-chilling in winter.

On the east side of Manhaitan, the East River Esplanade offers a three-mile course, from 63rd St, north to 125th St. On the left, cars whiz by on the FDR Drive. But there are more tranquil sights, such as Gracie Mansion in Carl Schurz Park. Built as a country manor house in 1779 by wealthy mer-chant Archibeld Gracie, it is now the official home of the city's mayor,

Many New York hotels offer. advice on the best running routes. The Ritz-Carlton, on Central Park South, distributes maps to its guests that detail three routes of varying length-The maps also list emergency telephone aid numbers For more information on running in New York, contact the New York Road Runners Club, at (212) 860-4456.

NB POWER

o proceed. and Electricité de France, told the

Don Munro

hy does the Christmas office party generate so many funny stories, so much corporate jokelore? The answer is that it has privileged status. Directors and senior executives are so afraid of laying themselves open to the miserable tag "Scrooge", that they will put up with behaviour from employees that would warrant instant dismissal at any other time of

Often described as an occasion when anything goes, there are breaches of acceptable behaviour and deportment which would normally shake the very foundations of the organisation. The Christmas "do" provides an annual catharsis for the passions and paranoias that lie just below the surface of everyday office life. No corporate principle is left unturned.

 Business logic: companies are built on an ethos of thrift, logic and constraint. This is in marked contrast to the over-indulgence, reck-lessness and lack of control of the office party. Seasonal largesse is expected from the company - but such extravagance can seem indul-gent in times of economic stringency. So clients and suppliers are rarely invited; to do so might simply re-enforce their contampt for the company.

There is also a reversal in the customary respect for company property. The office and its immaculate furniture is converted into something resembling a Marseilles dock-side dive. Party-goers push desks together, climb on them, dance on them. They spill drinks and stub out cigarettes on the car-

 Status considerations: initially, the status quo prevails. Senior fig-ures may seem a little stand-offish until they are sufficiently tanked up to mingla. Easy access to the boss at first guarantees a large crowd, but executive awe evaporates pro-portionately as wine and inadmissi-ble desires take hold. The acolytes drift away from the once-compelling centrifugal figure. A new hierarchy emerges, built on charm and enter-

The group may then exercise collective pressure in getting the boss

question for organisers of the many

UK business award schemes, but

too often it is not properly

Tomorrow, however, management

non

tonn

hat criteria should be

used for judging good,

quality managers? It

ought to be a routine

Jean-Louis Barsoux says the office

party is a logical absurdity

# Christmas crackers



to don a paper hat and perhaps per-form some embarrassing party piece. The boss will self-consciously oblige for fear of being labelled a party pooper - and may well overcompensate on the clowning in an attempt to establish street credibil-

Loss of dignity is but the first casualty of the evening.

Physical restraint: normally slap each others backs and bug ona

the blaring music; those usually so aware of their body boundaries are suddenly given to extravagant semaphore; physical uprightness turns into slouching, into sitting on floors, then into lurching, sprawling and fumbling. Rational hehaviour gives way to drunken exhibitionism. Colleagues, who would never usually lay a finger on one another, demure people shout hoarsely over another shamelessly. This is no

place for the sober or the dutiful. Sexual decorum: normal rules applying to office encounters are suspended as excuses for cootact are proffered: loud music requires close proximity of cooversationalists, dancing may ensue, the hright strip lights are extinguished and sprigs of mistletoe materialise.

The everyday concentration of people in typing pools, shop floors, and open-plan offices is subverted as individuals seek out the building's nooks and crannies; temporary elopers cavort in store cupboards or computer rooms and find novel uses for photocopiers.

 Interpersonal barmony: as the evening draws on, the enforced bonhomic may be interrupted by sporadic outbreaks of conflict. The seasoned campaigner vents his pent-up frustration at being passed over for promotion in favour of a young high-flyer with a thinly veiled joke. an insult, an emptied wine glass or even a scuffle.

Not only is this yearly debauchery alien to the day-to-day idea of acceptable behaviour at work, it is also in contrast with Christmas in the domestic setting. Spiritual aspects of the season give way to one long round of grope, gossip and gripe. Christmas in the workplace owes more to the pagan Viking fer-tility rites of Yuletide than to Chris-

All this makes one wonder why companies persist in holding office parties. They are probably responsihle for more distress and agonising. more resignations and damaged job prospects, than any other single event in the corporate caleodar. They are psychological minefields, viewed by staff with a mixture of excitement and dread.

Yet the truth is that many people derive a morbid enjoyment from grotesque self-revelation and unwise acts, even those that end in squalor, violence or regret, Twelve months, it seems, is long enough for selective amnesia to set in and for everyone to take their chances. once again, on the rollercoaster of merriment and disaster. The article is based on the author's recently published book Funny Busi-

ness (Cassell: £25 hardback, £11,99 paperback)

trial leaders preferred people and however, was somewhere in every

Sundridge Park believes career management will move up the corporate agenda in the next few years. The onus in future, however, will rest more on the individual than the company, with the latter playing a mainly supportive

... - Tim Dickson

TIPS FROM THE TOP

# What about the carpet colour?

Mick Newmarch, chief executive of the Prudential Corporation, offers advice on how to move head office

aving emerged only recently from a daunting array of storage crates, I am oow free to assess the Prudential's receot move and to offer some advice for those contemplating a similar step.

The corporation left its ancestral bome, 142 Holborn Bars, London, in 1988 in anticipation that the building would re-emerge, after restoration and modernisation, stripped of its more arcane features but retaining its Gothic fenestrated charm and tradition. Despite many false dawns, we have not been disappointed. We have returned and have been oo the site for all of eight weeks.

A successful move is built upon monument of planning activity. Equally true, as we have learnt, this mooument must be constructed like a piece of Lego, so that as expectations change or deadlines shift it can be quickly reassembled in a different configuration.

Our planning process was based upon a top-level committee, myself included, which contemplated an enormous variety of seriously important decisious ranging from the colour of the carpet to the shape of the dining chairs and the location of the coffee

The committee was served by professional project manager with the backing of a full-time team. However mundane each small decision may appear, co-ordinating them is a task to rank with re-designing the space shuttle for complexity.

It quickly became appareot to us that a pint of Prudential employees in 1988 equalled a substantial quart in 1993 owing to the growth in the husiness. believe this is an inevitable feature of any move: the space is never quite as intended nor

the numbers quite as anticipated. As a result, we took the opportunity to harness the talents and energies of our employees in adapting our working styles and developing ingenious



We could scarcely tell our customers their maturity cheques must wait until we found the crate containing the file

responses to the problems presented by our oew environment. Each area had its own move co-ordinainr who added the seasoning of commercial realism required to the plans for their own space.

Clearly, a move on this scale risked dislocating our husiness operations completely. We could scarcely close down our investment operations for a day to move the furniture or tell our customers their maturity cheques must wait until we found the crate containing the file.

Hence the move was staggered over three weekends and handled entirely by professional movers. As a result, everything in sight was labelled, to the point where I wondered if I might be date-stamped and tied np with sticky tape for the duration. This was time-consuming, required discipline, but was extremely

We also took care to consider the sense of well-being of the staff, many of whom had never worked in the old building or in the foreign" territory of Holboro. We provided maps and guides and a personal welcome pack tailored for each person. An army marches on its belly so we

provided free sandwiches to maintaio hlood sugar levels. For us. the most positive catalyst to a successful move was the prospect of a visit from the Queen to open the building, only two weeks after our arrival. This galvanised the otherwise jaded into bursts of vacuuming, tidying and urgent activity to control our

errant fire alarms. Finally, it is worth remembering that however detailed the plans, some elements will inevitably escape, just as some carefully chosen furniture will look uncomfortable in its oew home and oo one understands how the waste hins came to be that

perplexing shape.
I am looking forward to the day wheo we at last locate the keys to the monstrous, but impressive safe in my office, to allow exploration of its contents. untouched since 1988, or even before. I feel, however, a geouine sense of rejuvenatioo in our new environment: the move for us has been a positive and co-operative opportunity. I encourage others to look on theirs in the same light

Next Monday: Sir David Plastow of Inchcape on how to plan for

# Quality yardsticks

important for generating sustain- asked to select their top five.

able growth. The exercise was kicked off by Sundridge Park, a corporate development practice in the PA Consulting Group, which defined 18 criteria identified through close observation awards will be made at a lunch in London, based on the qualities which three separate sudiences of well-managed organisations.

Significantly, strategic thinking came out ahead of the others in all

three surveys, with leadership second in all three. At that point the consensus cracked, fund managers and City editors emphasising the importance of external yardsticks such as City and husiness editors - consider three groups, which were each and development, while the indus-

team development, Innovation, body's top five. Of those currently low on the list,

Recently, leading names in aviation, industry and politics were brought together at one of the most successful business events of the year.



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Robert Ayling



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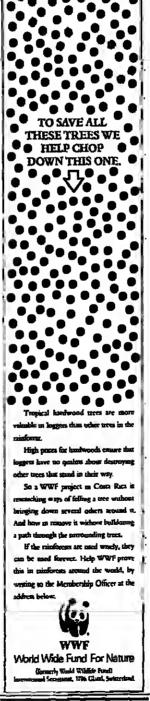
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Brussels, November 1993

# THE MONDAY People

# Kirkham bearded in his den

Lucy Kellaway talks to the sofa salesman whose company, DFS, floats this week

sofa salesman from Yorkshire, has made nearly £300 million hut is not satisfied. His fortune is larger than the reputed piles of the Forte and Weinstock families put together and three times as hig as Charles Saatchi's. Yet his sights are pitched higher still.

"I've got this burning desire," be says. "I'm not happy to be a multi-mil-lionaire. I bear this talk of billion-

on Wednesday his life's work, DFS Furniture Company, joins the stock-market. That day Kirkham will be in his office in Doncaster at 7.30 am as usual having made £130m from the sale of half the company. The flurry of pub-licity over, it will be back to the hard graft of making still more money.

The scale of his amhition has left his

advisers gasping. "Genuinely ambitious people are rare." one says. "Some end up as dictators. Some go into husiness. He is the most complete example of the latter type I have ever met."

Two months ago few people south of Watford bad heard of Graham Kirkham. Peers in the furniture trade like Derek Hunt of MFI have never clapped eyes

Out of nowhere this businessman has become the City's latest darling. The raging ambition is hidden under a bluff and modest manner, he comes across as the chuhby, cheerful chappie. Analysts enthuse about his plain-speaking Yorkshire charm, his hard work, and the strength of his husiness.

Outsiders might wonder at their reactiou. The City has seen many entrepreneurs come and go. Retailers in particular have a habit of making a fortune only to lose a large part of it, witness Gerald Ratner, Sir Terence Conran and

Moreover, the DFS prospectus contains some eyebrow-raising details: Kirkham has withdrawn £13m from the company hefore flotation, of which £5.5m was paid in the form of works of art and antiques as a crafty piece of tax

raham kirkham, an unknown avoidance. The company's merchandise manager has several times been convicted for drunken driving; more recently he has been charged with driving when disqualified and refusing to be breathalysed. And finally, as Kirk-ham is raising no new money for the business, it has to be asked why be is taking the company public at all.

"I went along to the analysts' meeting very cynical expecting to hear all sorts of bullshit but was pleasantly sur-prised," says Katherine Wynne of Kleinwort Benson. Kirkham, she points out. is different from the giddy entrepre-neurs of the 1980s. Many of them, John Ashworth at Coloroll for example, came and went in a matter of years hut Kirkham has built up a business slowly over a quarter of a century.

Meeting this multi-multi-millionaire is a disarming experience. He talks directly, banter marred only by inces-sant assertions of his own high moral sense. "The one person I am accountable to is me. If I can satisfy myself I can satisfy everyone else." he says. According to his own ethical code there was nothing wrong with paying himself a tax-efficient fortune before the flota-tion - he sought and followed the best professional advice.

When it comes to the merchandise manager and his drinking hahits. Kirkham asserts: "I care about people so much it hurts. We will support him as much as possible. I look at the work he's done for the company for the last 19 years. We employ human heings."

Kirkham was born in the little town of Edlington, the only son of a miner. He was a good hoy: went to Sunday school, sang in the choir and learnt to be "humble but proper. I was taught not to tell lies, to stand up in huses and to say thank you"

He failed all his O levels, failed to get into the RAF, and suddenly decided to huckle down. He became a sofa salesman, at which he says he was only "run of the mill". Frustrated then at the lack of prospects, he set up his own company, without any capital, in a disused



E PERSONAL FILE: Graham Kirkham

Born: December 14 1944 in Doncaster Educated: Malthy Grammar School. Left after taking O levels

1961: First Job at Harvey's, furniture retailer in Doncaster

1969: Set up Northern Upholstery 1973: Started producing furniture on Carcroft Industrial Estate

1979: Opened first of The Dining Centres, selling dining furniture 1983: Bought DFS Furniture from the receivers 1993: Company floats on the London Stock Exchange

hilliard hall, making sofas upstairs and selling them downstairs. Then 23, with a mortgage and two small children, be was quite unbothered by risk: "If people don't contemplate failure, that is a good reason for them to succeed."

He built up the business steadily. opening out-of-town furniture stores and reinvesting all profits. He believes in hard work; he never takes more than a week or two holiday a year, and neither does any of his top management.

His own optimism and drive are ohvious; he prides himself on heing able to make others feel the same way. "People who have the germ are set alight by my own enthusiasm," he says. His city advisers, whom Kirkham initially thought bad never done a day's work in their lives, were shattered by the experience of floating the company. "It was tiring working with him. He has so much energy," says one. Yet the explanation of how this ener-

getic and ordinary bloke came to build a business worth £300m is elusive. Kirkham reckons there is no single secret to his success: "I always say our margins of 16 per cent are made up of 64 quarters of one per cent."

Among these 64 little hits is the fact that the boss understands every aspect of his husiness. He has also formed close and longstanding relationships with his suppliers, and has been clever with his marketing. When he opens a

new store he sends a personalinvitation to well off potential customers offering them a discount. Viewers of Central and Yorkshire TV can hardly tune in without seeing one of his settees.

Whatever the reasons for his success Kirkham may find he needs new skills as the boss of a public company. Suppliers speculate that his style will have to change under the beady eye of sharebolders and non-executive directors. "Make no mistake this has been run as Kirkham's company. No one makes the decisions except him," says one.

Fawer changes are likely to his lifestyle as a result of his \$130m cheque. He already has more money than he knows what to do with – he owns a Georgian mansion and has a serious art collection. He makes the astonishing claim that be has no plans for disposing of the new millions. "I've really not

given it any thought," he says.

So if neither he nor his company needs the money, why should he voluntarily cramp his style just to list the shares? Kirkham argues that as his children do not want to go into the business, flotation "just seems appropriate". I remind him that Richard Branson and Alan Sugar regretted going public. He starts to say that Branson and Sugar are just two of hundreds of others. He stops and changes his tack. "Those two guys have got beards and I

## UAP's chairman: a very strong taste for privatisation

THERE are few hettar councited husinessmen in insurance. At 61, he may have little taste for the intricamann, the newly-appointed head of Union des Assurances de Paris, the country's largest insurer and one of the stars on the government's privatisation

The UAP chairman has the ear of the two most powerful political figures in France - he is a childhood friend of Jacques Chirac, head of the Gaullist RPR party and a front-runner to be the next president, and a trusted adviser to prime minister Edouard Balladur. This is largely the reason for his appointment.

Although regarded as a shrewd manager while he was head of Air France hetween 1987 and 1988 and at previous posts such as his chairmanship of the Compagnie Générale de

cies of premiums, risk analysis and reinsurance. Day-to-day management tasks could there-fore fall to Didier Pfeiffer, the respected number two at UAP.

But Friedmann does have a taste, a very strong taste, for privatisation. As adviser to Chirac when the latter was prime minister in 1986-88, he helped draw up the government's privatisation programme. When Balladur and the right returned to power in March, he found himself performing the same function, albeit on a higger scale. His close links with the top

Gauilist politicians will make bim a central figure in French industrial policy and the execution of the state's plans to sell 21 publicly-owned groups.

His first task will be to see to the privatisation of UAP itself. He inherits a company in fairly good shape following the effec-

tive management of his predecessor, Jean Peyrelevade. In October, Peyrelevade concluded a long-running dispute with Suez, the industrial and

financial holding company.

which gave UAP control of Colonia, the German insurer. Shortly afterwards, UAP announced first half profits of FFr1.09bn (£120m), a rise of 15 per cent over the first six months of 1992, and evidence that the company is on the road to recovery after a dismal

performance last year. With its results on the mend, privatisation of UAP is expected to take place in the first half of next year.

John Ridding

#### **Diplomacy** and worry beads

GREECE's naw socialist government has persuaded Nikos Kyriazides, a formar executive director of the IMF, to come out of retirement to take on the newly created post of debt manager at the finance ministry, writes Kerin Hope. Greece's domestic debt, now

at over 120 per cent of GDP, is ballooming to Latin American proportions. This is partly the result of a previous socialist government's over-generous pension policies in the 1980s. But it also reflects the outgoing conservative government's failure to reach this year's revenue targets because the Greeks could not be persuaded to pay more income tax.

Kyriazides, 66, a former deputy governor of the Bank of Greece, should be the right man for the joh. During his tenure at the IMF, he had much to do with the deht restructurings carried out for Brazil, Mexico and Argentina. And when it comes to talking to the European Commission. he can draw on his experience as chief Greek negotiator in the run-up to Greece joining the Community. And then there are the diplomatic skills picked up while serving as Greek ambassador to London between 1982 and 1986, his last job under a socialist administration. He learnt his economics at Oxford and the Univer-

sity of Chicago.

Kyriazides, one of the few Greek bankers who still flips a string of worry beads while he talks, sounds confident that he can find a way of restructuring part of the Dr5000hn (\$20bn) owed hy the government to Greece's commercial hanks that will meet with EC approval. But he is leaving nothing to chance. His worry beads are blue, the colour that in Greek eyes brings good luck.

#### Germans' turn at Europay

KURT RICHOLT, who was dismissed from the board of Commerzbank in May, is to be the new chairman of Europay International, the Brusselsbased group formed last year by the merger of Eurocard and eurocheque, writes Katharine Campbell.

Richolt, 54, will chair the board which is comprised of senior executives from 17 member countries including eastern Europe. It is effectively a nonexecutive role and he will work on average a little more than one day a week.

He replaces Bernard van Eldik, a 64-year-old Dutchnam who played a leading role in the Eurocard/eurocheque merger completed in September 1992. The organisation, whose biggest competitor is Visa international, claims to be the higgest card group in Europe with some 80m carEuropay's secretary general Mark Van Wauwe explains that with a British chief executive, Ron Williams, and a previous Dutch chairman, it was felt that the Germans, who have three seats on the 25strong board, were due a turn. In an unusual move, Richolt, who had been on the board of Commerzbank since 1982, was dismissed after Germany's third largest bank made provi-sions of DM300m as a result of the collapse of the Danish insurance company Hainle. The last time a board member of one of the big German banks was dismissed is believed to

have been 1980. Van Wauwe highlights Richolt's varied international experience as well as his grasp of English. Spanish and French. He has been selected and his applintment has been agreed by the whole German bunking community, he adds. The tirres Germans on the board come from Hypo Bank, the savings and the co-operathe banking associations.

Waile Van Wauwe contends that it was the mions who insisted on Richolt's departure. Commerciant says it was the decision of the whole superviout board. Although the bank lost sizeable sums in lending to the likes of Olympia & York, it was decided to establish accountability in the Hafnia case because of the size of the exposure to a company that was not a worldwide industry leader. Richolt was the board tiender with area responsibility for Scandinavia

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07:45 FT Reports\*

12:30 West of Moscow† Poles ahead? A report from Warsaw on the economic position in post-communist Poland.

13:15 FT Reports\*

15:45 FT Reports\*

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Theatre/Malcolm Rutherford

# A spectacular Perestroika

ike Proust or Anthony Powell's sequence of novdels, A Dance to the Music of Time, Tony Kushner's epic play Angels in America is not something you should begin in the middle. You should also remember the sub-title. This is A Gay Fantasia on National Themes, not the history of America. Even so, there is a lot of American history in this riveting seven hour drama. Part One, Millennium

Approaches, opened on the Royal National Theatre's Cot-tesloe stage in January last year, and was magnificent. It has now been revived as splendidly as ever, it is accompanied by Part Two, Perestroika, which initially at least is a disappointment. That is a view which one rapidly revises as the play goes on. By the end, the whole of Angels in America is a wonderful theatrical

One of the problems with Part Two, as Kushner admits is that he thought of the title had this wild-eyed notion that Gorbachev was going to make the world a different place and bring about the advent of dem-ocratic socialism, he has said in an interview. The real peresirolka has not quite worked out like that, but Kushner kept the title because Gorbachev claimed that his joh was simply "to make change irrevers-

Keeping the Soviet back-ground leads to a strange opening. Perestroika begins with a speech by the last surviving Bolshevik in the Kremlin in 1986. It is delivered by Harry Towh, the same actor who starts Part One as an American rahhi at an obscure funeral. Any attempt at parallelism hetween American and Russian history is quickly abandoned. There are some later references to Chernobyl (as reported to America by the World Service of the BBC) hut. for the main we return to the original characters.

The surprise here is that the two principal victims of Aids in Millennium Approaches are still alive. Indeed, apart from the Russian interfude, Part Trop picks are been less than the process of the control of the con Two picks up inore or less where Part One left off. There is a trip to beaven as Peres-



From funereal US rabbi to Russian agitator; Herry Towb plays the last surviving Bolshevik in the Kremlin in 1986

troika goes on, but it seems to be on a return ticket, and even at the end one of the Aids sufferers survives with the hope of another five years. No one can say that Kushner is a pessimist he even includes the New World Symphony.

What do they do all the time? They talk, make love, fall out, then talk again. Apart from the state of America, Angels has three main subjects. One is Aids, another is Roy Cohn, an adviser to Senator McCarthy who died of the disease in 1986, and the third is religion in general and Mormonism in particular. The common thread is homosexual-

The period is broadly the Reagan presidency, even if Cohn seems a throwback. In the gay community, it is more of a shock that a young mar-ried Mormon should admit to

voting Republican than that he should be a closet gay. To Americans, however, the biggest shock must have been the discovery of Cohn's illness.

Gorbachev was going to make the world a different place . . . The real perestroika has not quite worked out like that, but Kushner kept the title because

Gorbachev claimed that his

joh was simply "to make

change irreversible".

Here was the most rabid rightwinger of the lot, claiming to have been responsible for sending the Rosenbergs to the electric chair, exposed as a homo-sexual with a disease than had then scarcely been identified. He threatened to sue his doctor if he diagnosed anything more than cancer of the liver.

Cohn is magnificently played in both parts by David Schofield. The young Mormon who has no difficulty in sleeping with him is Daniel Craig. But this is a complex set of rela-tionships, almost as if several plays were going at once. At the heart of it is the affair between Prior Walter (Stephen Dillane) and Louis ("my friends call me Louise"), the lover played by Jason Isaacs, who abandons Walter when the latter's Aids is discovered, The scene at the end of Part One where they waltz together is almost unbearably moving. Few of the lovers are monog-

amous. A gay hlack nurse called Belize (Joseph Mydell) shows how easy it is to come and go. There are also sub-strands involving the Mormon's pill-popping wife and mother. All of these parts are superbly acted.

Yet it is not really the subject that makes Angels work. It is the nature of the dialogue and the quick shifting from one scene to another. Kushner is e master of one-liners, moving from quotations from Shakespeare to popular soogs within the same sentence Even in the most intense epl sodes, there is a burst of wit. The staging of some of the set pieces is spectacular. Note the smart restaurant scene when Cohn is trying to persuade his Mormon friend to commit per jury, and a similar scene at a bar. The immaculate direction is hy Declan Donnellan and the design by Nick Ormerod.

In repertory, Cottesloe Thea-

#### Opera/Max Loppert

# Intelligent Lohengrin melds potent myths

nglish National Opera's of Saturday's opening performance there was no doubt that the experience was taking 1971. The work is hard to hring off: an emply proportioned Grand Opera fary-tale about the eternal battle between Good and Evil beneath whose surface Wagner has melded several potent myths dealing with the role of the artist in society, the relationship of the sexes and (viewed through Freudian eyesi the development of the individual psyche. I suspect that now it is

harder to bring off than ever, in a feminism-influenced age suspicious of notions of Elsa-like feminine innocence and Lohengrin-like spotiess chivalry, a television-dominated age out of tune with musical spaciousness and steady-paced unfolding and vocally a post-heroic age widely deprived of the type of Wagner voices (oroad spanning, truly mettled, pure and shining of timbre) on which so much of the opera's

peculiar atmosphere depends So the notable success of this new production lies in its nice balance simplicity and many sidedness in the dramatic bandling, a precise musical flow established by the conductor, Mark Elder, which enables the drama to work up a powerful, impressive, long-lingering resonance. This achievement is more than the sum of its parts. as probably an ENO Lohengrin is always likely to be: the orchestral playing ann choral singing solid and finely pre-pared but lacking the last ounces of radiance; the casting more on "bouse" than interna-tional considerations; the finish of design mede perhaps even plainer than intended by economic stringency here and there one senses that an extra £10,000 added to the hudget would have come in mighty

And yet in the first two acts

strong hold (I have not encountered the Coliseum stalls in such quiet, concentrated form for a long while). Act 3 began with a functional glitch during which the movement of curtains a key feature of Hilde-gard Bechtler's set design seemed briefly possessed by the spirit of Disney's Fantasia, the mood was unsettled for a while afterwards, on stage as well as in the audience, and no doubt later evenings will pro-

ceed more serenely. Even then, bowever, the spare intelligence of Tim Albery's production still exerted itself in multifarious fascinating ways, in line with the best of this remarkable director's work the recent Opera North Don Carlos, say, or ENO Budd and Grimes the modernity of the vision is remarkably uo-prescriptive. The setting, with its economical yet architecturally forceful outlines evocative of stony, sculptured texture, bold restriction of colour, sensitive gradation of light (by Jean Kal-

man, a master of his craft), and carefully controlled massed groupings, permits response on many levels ancient and mod-"mytbic" and analytic, narratively straightforward and psychologically probing. The simpler pleasures of the opera are not scorned; the slow build-up of tableaux, episodic pictorialism, romantic alternations of light and dark. (There's even a real dove.) Neither are the thought-provoking ambiguities: the choreographic embodiment of the swan and final resurrection of Elsa's young brother show as much. The treatment of the main characters is as reverberant as the experience of the principals

most significant Wagnerian performer on stage, accrues a controlled stillness and depth unmaiched elsewhere.

This is not Lohengrin as postmodernist lecture-demonstration, hut its qualities encourage the audience-member to come to grips with the work in all its rich and problematic aspects. Without Mr Elder, who has matured into a Wagner conductor of genuine and palpable authority, one suspects that the grip would have to be comprehensively loosened. Nothing in the shap ing or pacing of the work drew attention to itself; equally nothing dragged or sagged of the middle act, a perilous moment of possible Lohengrin firmly as the previous Elsa-Ortrud encounter had been.

All thet the evening lacked was real beauty, and follow-through, of singing. The Lobengrin, Elsa and King John Keyes, Linda McLeod Michael Druiett are all young singers of considerable Wagnerian potential and no less con siderable patchiness of tech-nique, one longs for a Reginald Goodall to arrive swan-borne on the scene and coach them into a more complete state of finish". Miss Finrale's power ful mezzo is exercised to its limits: the effect is dangerous. but in the event thrilling.

Malcolm Donnelly's Telramund is sound workaday, Christopher Booth-Jones's Herble oew translation by Amanda Hniden adds greatly to the vividness of the performance, although a handful of betises "from whence", indeed! remain to be sorted out.

ENO at the London Coliseum:

#### Architecture/Colin Amery

# Designs of a romantic hero

here is a famous still from a movie of Gary Cooper standing in full profile before a soaring skyscraper, looking firmly into the future. The Fountainhead was made in 1949 from the novel by Ayn Rand, which sold five million copies. Its hero was an architect, Howard Roark, a young genius who pits his wits and skills against the conventions of the New York establishment. Gary Cooper played the part to the hilt. The film. like Avn Rand's work novel Atlas Shrugged, extols rugged individualism, powerful egoism and all refusals to compromise. Her hero was probably based on the American architect, Frank Lloyd Wright, who certainly saw the architect's role as that of the powerful, single minded genius.

Sir Norman Poster is an architect who shares with the hero of The Fountainhead that taciturn virility and confidence. His quiet conviction that his designs are rational and logical is impressive. He is also convinced that architecture is a product of individual gentus and that compromises are to be avoided. A visit to his London office reveals that. while undoubtedly a top architect, he is also aware that posterity may see him as a creative romantic - a man who tried to change the world.

In this year's Financial Times Architecture Award Sir Norman's office has two runners in the short list the University Library at Cranfield: and Stansted Airport in Essex, which represent just a fraction of the work of this international practice. In the pipeline there are a quite remarkable number of major projects. The new Canary Wharf underground station will be the best reason for the expansion of the Jubilee line, and the Imperial Mnseum exhibition dazzling example of appropriate technology. Then there are three new international headquarters for major companies Agiplan, Ohunsha and Sanei: a new law library for the Camhridge Institute of Criminology as well as the new Napo laboratories for the same city; the new Commerzbank in Frankfurt; in Berlin the new Reichstag: in Nimes the Carre D'art: in Frejus the new Lycee; in Rotterdam the Marine Safety Simulator, in Neudorf the business promotion park; and in Corsica a timber framed house

for a private client. If the Governor of Hong Kong can keep things on an even keel, Sir Norman's design for the large new airport at Chep Lap Kok will be one of the finest new airports in the world. In Valencia the design for the new conference centre is well underway, and in the City of London the new offices

currently in for planning consideration. Sir Norman has been unafraid to add to a listed huilding - a house in Chelsea designed in the 1930s by Mendelsohn and Chermayeff enhancing the original. In Omaha, Nehraska his firm is adding a wing to the Joslyn Art Museum; and the results are still awaited for the competition for a new Gallery of Scot-

tish art in Glasgow.

The hero of The Fountainhead would have been amazed that one architect could change so much of the world. Foster's office gives some clues. Visitors enter and walk up a grand, gentle granite staircase and the office itself is a young architect's dream. Beneath a high glass wall with amazing views of the Thames are ranks of architects and technicians. Hnward Roark would have enjoyed this elevated position: you feel as

hanger at Duxford will be a at Tower Place for Bowrings is though the team below could well be drawing up designs for some great spaceship to take us all to the moon or beyond. For the best of Foster's work in the UK, go to Stansted Airport and then to the Sainsbury Centre at the University of East Anglia in Norwich. The extension to the Sainshury Wing is a cool triumph. To enjoy Foster more intimately. the Royal Academy's Sackler Galleries show how well he can

> fit an older context. It will be fascinating to see how Foster does in the FT while, he should be appointed designer of the new Tate Gallery Museum of Modern Art. convert the Bankside Power Station into a home for very contemporary art (like the Los Angeles Museum of Contemporary Art, in warehouses converted by Frank Gehry), and build e gallery for modern art on the Vauxhall site.

# Early Mozart

will allow: which means that

the Ortrud of Linda Finnie, the

The season marking already an international vet-Opera North's 15th year of existence continues, somewhat uncertainly, with a new production of Il re pastore (1775), the rare, slender, beautiful chamber opera - properly a dramatic serenata - of Mozart's late teenage. Measured by the company's own standards the internal imbalance: decently played and sung (in certain instances rather more than that), feebly and trivially staged.

The excuse may be that it was got up at a last-minute replacement for the Eugene Onegin which Opera North decided not to horrow from Welsh National Opera (quite wisely, in my view: that was feehleness and triviality on a much grander scale). The inteoded Tatyana, Joan Rodgers, and Olga. Patricia Bardon, have gone into the Re pastore cast; the remaining three members of the quintet, freshly engaged, are useful Mozartians and it is the fault of neither the singers, nor the English Northern Philharmonia under Paul Daniel, nor indeed the cleanly singable new translation by Amanda Holden, that at moments the first of the work's two acts

comes close to a write-off.

In his 19th year Mozart

eran of opera-composition, hut he was hack in Salzburg and opportunities to write operas were painfully scarce. He longed to do so, as letters attest; and when this one came his way - a pièce d'occasion on an already much set text hy Metastasio, the Habshurg court music of a progressively deepening warmth that lift the experience far above pastoral politeness. At its heart is the aria "L'amero, saro costante". a reverie for the twined voices of the soprano-castrato hero and solo violin as raptly tender

as anything he ever wrote. Depth and warmth the work may possess, in ahundance, but it is still essentially an exercise in style - the high court style - which in any modern revival needs either careful re-creation or else stringent reassessment. Jejune coy-North director, David McVicar (also designer, in tandem with Frank Higgins), foists on the serenata structure is fatal.

During the overture, puppets prance larkily on the bottom edge of the front-cloth, blocking out any possibility of actual listening to the music; the whoops a daisy treatment of the shepherd and shepherd-

ess hero and beroine, attended

by five cute child figurants, is in the same vein. In the second act, as weightier emotions shade the situations, the stage action becomes less footling, but by then the damage is

At least, though, there is the ineffahly delicate, fine-grained Joan Rodgers in the title role -on Thursday the pure line of her lower notes sounded a touch sullied (by a cold, I guess), hut excellent technique left her mastery of Mozart style unscathed. Mary Hegarty as the shepherdess Elisa, though a less careful vocalist, beams out a ray of sunlight with her hright, sweet, unforced tones.

The two tenors, Martyn Hill and Philip Salmon, cover skilfully their passing moments of dryness; Patricia Bardon's rich mezzo is too weighty for Mozart's seconda donna sonrano role. Daniel's conducting tends to bustle the early stages of the work along - with this produc-tion unfolding before his eyes, who can blame him? Thereafter the balance between Mozartian energy and Mozartlan grace is more securely

Opera North at Grand Theatre, Leeds: in repertory until December 22; production sponsored by Yorkshire-Tyne Tees

# INTERNATIONAL

#### **BERLIN** MUSIC/DANCE

Deutsche Oper Tonight: Gerahwin and the Golden Years of Broadway. Tomorrow: Gluck's Orfeo. Wed: Bejart'a ballet Ring Round the Ring-Thurs: Il trovatore, Fri: L'Italiana in Algeri with Jennifer Larmore, Sat-Tosca with Galina Kalinina and Richard Margison. Sun: Tannhäuser with René Kollo, Sabine Hass and Karan Armstrong (341 0249) Staatsoper unter den Linden Sat: Daniel Barenbolm conducts gala concert devoted to works by Wagner, with soloists Placido Domingo, John Tominson and Deborah Polaski. Sun: Barenbokm conducts Nicholas Brieger's production of Busoni's Die Brautwahi (200 4762/2035 4494)

CONCERTS Philharmonie Tomorrow: Berlin Philharmonic Plano Quartet plays works by Suk, Schnittke and Strauss. Sat and Sun: Claudio Abbado conducts Berlín Philhermonic Orchestra and Slovak Philharmonic Chorus in concert

performances of Boris Godunov, performances of Boris Godurov, with a cast led by Aage Haugland, Anatoly Kotcherga, Olga Borodina and Viadimir Chemov (2548 8132) Schauspielhaus Fri, Sat, Sur, Bruno Leonardo Gelber is plano soloist in a Berlin Symphony Orchestre concept feeburing works. Orchestra concert featuring works by Beethoven, Debussy, Messiaen and Schubert (2090 2156) THEATRE

A new production of Tennessee Williams' rarely staged 1957 play Suddenly Last Summer opens at Kammerspiele on Sun, directed by Petra Segtrop (2844 1226). Pirandello's The Mountain Glants has just opened at Maxim Gorki Theater, directed by Rolf Winkelanund (208 2783)

#### ■ NEW YORK

DANCE/MUSIC State Theater New York City Ballet opens its new season tomorrow with a gala on the theme of Broadway and Hollywood. Wednesday's performance is an all-Balanchine programme. No performance this Thursday (Thanksgiving). The season runs daily except Mon till Feb 27, with matinee and evening performances every Sat and Sun. From Dec 1 to Jan 2 the repertory is devoted to Balanchine'a version of The Nutcracker (870 5570) Joyce Theater Garth Fagan Dance is in residence till Sun. Next week: Toronto Dance Theatre (242 0800) Metropolitan Opera This week's reportory consists of Rusaika, La boheme and Madama Butterfly.

No performance on Thursday, A new production of Verdi'e I Lombardi opens on Dec 2 with a cast led by Luciano Pavarotti (362

Avery Fisher Hall Tomorrow: Charles Dutoit conducts New York Philharmonic Orchestra in works by Richard Strauss, Martinu and Ravel. Wed, Fri afternoon, Sat, next Tues: Franz Welser-Möst conducts works by Richard Strauss and Franz Schmidt, with hom soloist Philip Myers. Sun afternoon: Alicia de Larrocha piano recital (875 5030) Alice Tully Hall Sun afternoon; Thomas Hampson song recital (875

 Angels in America: Tony Kushner's epic two-part drama about religion, sex, Aids and corrupt politics - conjures a vision of America at the edge of disaster. Part one, Millenium Approaches, has now been joined by its sequel Perestroika (Walter Kerr, 219 West 48th St, 239 6200) The Red Shoes: a new musical based on the 1948 film. Music by

Jule Styne, book by Marsha Norman, lyrics by Norman and Paul Stryker, choreography by Lar Lubovitch. In previews (Gershwin, 51st St, west of Broadway, 307 4100)
She Loves Me: the 1963 Bock, Hamlck and Masteroff musical directed by Scott Elis - a delicate. unabashedly simple story with all

Atkinson, 256 West 47th St. 307 Kiss of the Spider Woman: a

the humanity, integrity and charm that Broadway's glitz-laden mege-musicals lack (Brooks

Kender and Ebb musical with a star performance by Chita Rivera in the title role. Directed by Harold Prince (Broadhurst, 235 West 44th St, 239

Blood Brothers: Willy Russell's musical, imported from Britain. about twin boys who are separated at birth and later fall in love with the same girl. The cast includes Shaun and David Cassidy and Petula Clark (Music Box 239 West 45th St, 239 6200)

 Forbidden Broadway 1994; e new edition of Gerard Alessandrini'e musical satire of Broadway shows and their stars (Theatre East, 211 East 60th St, 838 9090)

 Four Dogs and a Bone: a satire, written and directed by John Patrick Shanley, on moviemaking and the power plays between producer, screenwriter, seasoned actress and aspiring starlet (City Center, 131 West 55th St, 581 1212) The Sisters Rosensweig: Wendy

Wasserstein's play, a comedy with serious undertones, about the reunion in London of three American 243 West 47th St, 239 6200) Oleanna: David Mamet's drama about sexual harassment and political correctness on the university campus (Oroheum, 126

Second Ave, between 7th and 8th

Streets, 307 4100)

JAZZ/CABARET Blue Note Herbie Hancock opens an engagement tomorrow (131 West 3rd St. near Sixth Ave, 475 8592) Algonquin Hotel Weslia Whitfield, one of the most assured and affecting jazz cabaret voices to arrive in New York in years, is in residence in the Oak Room (59 West

44th St. 840 6800) Michael's Pub A tribute in the Michael's Pub A tribute to the music of Eddle Lang, Bbx Beiderbecke and Bing Crosby is the current attraction, with Woody Allen's Dixieland jazz band providing the entertainment on Mondays (211 East 55th St, 758 2272) Rainbow & Stars Starting tomorrow: a tribute to Leonard Bernstein, commemorating what would have been his 75th birthday, with songs from West Side Story, On the Town and others (30 Rockefeller Plaza, 632 5000)

#### PARIS

OPERA/DANCE Théatre Champs-Elysees A new production of Lully's Roland (1685) opens on Fri. René Jacobs conducts e staging by Gilbert Deflo, designed by William Orlandi, with a cast led by Jose van Dam. Repeated Nov 28, 30, Dec 2, 4, 7, 8 (4952 5050) Opéra Bastille Bob Wilson's new production of Madama Butterfly, conducted by Myung-Whun Chung, can be seen tonight, Wed, Thurs and Sat, with further performances till Dec 10. Diana Soviero and Valentina Sedipova alternate in the title role. Tomorrow; Julie Kaufmann and François Le Roux, accompanied by Irwin Gage, sing Wolfa Italian Songbook (4473 1300) Palais Garnier Ballet de l'Opéra

de Paris revives its 1992 production of Picasso et la Danse on Fri. The programme features choreographies by Nijinska (1924), Roland Petit (1945) and Massine (1919). Daily except Sun and Mon till Dec 8 (4742

Théâtre de la Ville Catherine

Diverres in residence this week with

CONCERTS Salle Pleyel Tonight: Alfred Brendel plays Beethoven piann sonatas. Frl: Marek Janowski conducts Orchestre Philharminique de Radio France in works by Wagner and Richard Strauss (4561 0630) Châtelet Fri: Simon Rattle conduct Ensemble InterContemporain in works by Simon Holt, Messiaer and Shostakovich, with soloists Elise Ross, Willard White and Florent Boffard, Next Mnn: Nikolaus Harnoncourt, Gidon Kremer and

(4028 2840) Théâtre de la Ville Fri and Sat: Yuri Bashmet and the Moscow Soloists present two programmes, including works by Schnittke, Brahms and Bach (4274 2277)

the Chamber Orchestra of Europe

JAZZ/CABARET Five Blind Boys of Alabama are in residence this week at Lionel Hampton Jazz Club, Nov 29-Dec 11: Linde Hopkins, veteran New Orleans jazz singer (Hotel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

Peter Sellars' English-language version of Aeschylus' The Persians is In its final week at Bobogny (4831 1145). Jorge Lavelli's Avignon Festival production of Edward Bond's Maison d'Arrêt daily except Mon till Dec 12 et Theatre National de la Colline (4366 4360). Büchner's Woyzeck, directed by Jean-Pierra Vincent, daily except Mon till Dec 30 at Le Rond-Point Théâtre Renauld-Barrault (4495 9800).

ARTS GUIDE Monday: Berlin, New York Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington, Wednesday: France, Ger-

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MONDAY TO THURSDAY Super Channel: European Business Today 0730: 2230 West of Moscow 1230. Super Channel: Financial Times Reports 0630 Wednesday Super Channel: Financial Times

Thursday Sky News: Financial Times Reports 2030; 0130 Friday Super Channel: European Business Today 0730; 2230 Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930 Sky News: West of Moscow 1130: 2230 Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900 Sky News: West of Moscow 0230; 0530 Sky News: Financial Times Reports 1330: 2030

#### Samuel Brittan

# An enigma behind the UK recovery



proverb says that every gray cloud has a silver lining. The British, however, are good at seeing the lining grey around every

silver cloud. There is thus a resistance to seeing how good the recent economic news has been in a recession-beset world. For instance, the surprise October fall in the retail prices index took the index so far below what was expected that it has given a downward push to the inflation trend.

Students of the inflation process must get used to three inflation measures. There is the "headline" RPI rate. heavily distorted by the timing of mortgage rate changes and which now stands at the unrealistically low rate of 1.4 per cent, year on year. Then there is the official measure of the underlying RPI rate, which excludes mortgage interest and stands at 2.8 per cent.

Finally there is the core rate which attempts to remove other temporary disturbance such as those caused by indirect tax changes. How to measure the core is controversial. But an estimate by Michael Saunders of Salomon Brothers puts it at 2.8 per cent too. Taking into account the increases in value added tax in the pipeline and assuming a further small increase in excise duties, Saunders expects the underlying rate to rise briefly next summer to a couple of decimal points above the official 4 per cent target ceiling; but he expects the core rate not to rise much above 3 per cent.

This downward pressure on prices reflects a more competitive aimosphere than that normally brought about by a slack economy. The RPI indices are supported by pay settlements, which are the lowest since the Confederation of British Industry databank started in 1977. Earnings increases due to third-quarter pay awards in manufacturing are estimated at 2.3 per cent. In services they are 2.8 per cent, a fall from the previous quarter. The CBI esti2.2

50

1990 91 92 93

mates are corroborated by offi cial figures showing recorded earnings increases for Septemher down to 3 ner cent

UK pay per unit of output is actually down on a year ago compared with 6 per cent increases in both Japan and Germany. Only the US is increasing its competitiveness more rapidly than the UK. To cap it all, lower inflation

has been accompanied - contrary to what might be expected at this stage of the cycle by falling unemployment. The number out of work peaked in January at 10.6 per cent, and has since fallen by 0.4 percentage points, the fall now spreading for the first time to the long-term jobless. The chancellor, Mr Kenneth Clarke, will be free to argue in his Budget next week either that the economy is now doing so well he can avoid a tax increase, or that it is strong enough to

withstand such an increase But having celebrated the good news, an economic analyst should want to dig deeper.

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Perhaps they should try Cantrade Investment Management Limited. We adopt a conservative

in particular, be should ask about the present unturn: is it vigorous enough to reduce the gap between actual and poten-tial output? Or is it so feeble

that the gap is getting larger and depression intensifying? Official output figures still suggest the latter. Non-oil gross domestic product rose by well under 2 per cent in the year to the third quarter of 1993. This is below the most conservative estimate of the growth of capacity and fits in with the popular impression of a modest and patchy recovery.

How can this be reconciled with falling unemployment and rapidly rising productivity? The most outimistic explanation is that the upturn is stronger than realised. The pessimistic explanation is that productivity gains are being overstated because of inadequate allowance, for instance, for the increasing numbers of part-time workers.

It will be some time before there is enough data for a full explanation. The fact that unused capacity, as measured by the CBI survey, is declining along with .unemployment, makes it look as if there is a ganuine reduction in the mar-

The best guess is that the productivity of workers using existing capacity is indeed increasing rapidly, but at the same time there is inadequate capacity to support a true recovery. in other words, capacity shortages will recur while there are still large resources of unused labour.

Some industrialists will want, in conjunction with the Labour party, to fix the capacity problem by government hand-outs for investment, a "business plan for Britain" and so on. A more reflective person would look at the inhibitions discouraging businessmen from extending capacity, as distinct from just making it more cost saving.

The remedy probably lies in still more flexible labour markets, plus more topping up of social security payments to workers of low earning capacity. Low pay and some dole are better than no pay and no

"No man whose mind is alive and active ... can keep his political and spiritual opinions, much less his philosophical consciousness, at a standstill for a 

BS is always there when you need him. Recently I have been wondering how to respond to remarks that my opinions have changed since I moved to Washington, How, I am asked, can someone who rarely hesitated to find fault with Thatcherism now write so sympathetically about market forces? Is it the climate? Or perhaps the food? Am I being blackmailed by some arch-con-

ervative think-tank? Shaw provides the perfect answer. My views have not changed. I have simply managed to avoid an intellectual "standstill". I may not have written for the Financial Times for a quarter of a century. But it will soon be a decade. And much has changed in those

As people age, a coarsening of their thought is sometimes evident. Youthful idealism gives way to knee-jerk punditry, sometimes of a reactionary nature. Sympathy for the dvantaged can evaporate. As the old adage goes: "If you are not a socialist at 20 you don't have a heart; if you are not a conservative at 40, you don't have a head."

I am not conscious of any loss of idealism. But my views on the kind of policies that are likely to be effective in the long run have evolved. Compared with a decade ago I am more sceptical of government solutions and more willing to

rely on market forces. I realise this runs directly counter to spirit of the times. President Clinton is in power, not President Reagan. In the early 1980s, there were high hopes for monetarism and markets. The pendulum has since swung back in favour of interventionist policies. Keynes's critique of classical economics is again taken seriously - especially in Britain.

Various forces - some exter nal, some internal - have contributed to my change of beart. The most significant political event of this past half-century is the demise of communis and central planning. This has occurred not just in the former Soviet Union and eastern Europe but in Asia, where China is moving toward a market system, and in most of the rest of the developing world. Billions have opted to replace

# How Uncle Sam won over a sceptic



bureaucrats by markets. The relevance of the global collapse of communism for the advanced industrial economies can be endlessly debated. Sincethe west rejected full-blown central planning and stuck with parliamentary democracy; many people conclude we have nothing to learn from events in Russia, Poland or Chine.

This strikes me as less than intellectually honest. In the days before the fall of the Ber-lin Wall many western economists greatly exaggerated the success of economic planning and suggested that, with a dif-ferent political regime, it could provide a viable alternative to capitalism. We now know bet

Communism was a logical

extension of 19th-century socialist ideas. People liks Shaw believed in state ownership of the means of produc-tion, in the elimination of the profit motive and in a near complets equalisation of incomes. The failure of socialism as a national economic system ought to make us more sceptical of applying similar principles on a smaller scale within industrial democracies. On a personal note, leaving Britain in 1990 before the economy imploded, has left me in a less pessimistic frame of mind than many UK commentators. Nothing fuels hostility to markst forces more sffectively than a depression. When unemployment is high, the well-intentioned naturally recoil against the apparent waste and cruelty of the market systsm. Had I lived through the latest UK recession, which was much deeper

ket rhetoric. But living in the US has illuminated some of the virtues of

than the US downturn, I would

be more receptive to anti-mar-

the market. For all its chronic social problems, America'a smoothly-running market economy offers a sturdier laddsr of opportunity than Britain's There is pleaty of old money around. But the link between wealth and social class is far less pronounced: if somebody is wealthy, the pre-sumption is that they worked for it. There is a greater sense of optimism, a deeper confi-dence that free enterprise, for all its imperfections, will reward ability and hard work. Britain might have developed US attitudes if Gladstonian liberals had been able to resist the intellectual advance of socialism. If the Liberal party had seen off the challenge from Labour and retained its commitment to free trade and free markets,

political power might have see-

sawed between two parties

broadly committed to free

enterprise. The Liberals could

have played the role of Ameri-

can Democrats - a role which

the Labour party could yet play with distinction. Looking back, I can see that gut hostility to market forces came naturally to someone of my generation. I was, after all, raised in a wslfare state. I enjoyed "free state education (at university as well as school) and "free" state healthcare. I took for granted the government's right not only to steer the economy but to regulate the whole of society. I had no interest in industry or commerce. Entrepreneurship? The profit motive? These were concepts dismissed with disdain by the intellectuals I summed. I had what I would now describe as a "hang-up" about social justice. Since our needs are similar, shouldn't we have roughly equal incomes? Why? A society must provide an ample safety net for the poor, but surely the left's obsessive desire to redistribute incomes reflects a crass materialism or,

worse still, sheer envy of the worse still, sheer envy of the good fortune of others.
Nobody is qualified (not even a parliamentary majority) to judge what income their neighbour deserves. The beauty of a market aystem is that judgmenta of worth are not required in the absence of artificial barriers to competition, what we get will usually be what we get will usually be determined by the usefulness of our services to others.

Unfortunately, market forces remain deeply unpopular. The terminology is certainly unhelpful. "Market" sounds hideously impersonal, while "forces" conjure up images of authoritarian repression. Why should any society subject itself to so unnatural a disci-

To appreciate the market you have to consider its nature more carefully. It is not something external forced on us. It is us: it is simply the sum total of free exchanges between indi-viduals. It is the only genuine form of social co-operation because no exchange occurs unless each party expects to

f course, our "voting power" on the mar-ket is not equal because our incomes differ. But the combined voting power of ordinary people vastly exceeds that of rich elites, which is why snobs so dislike commercial television. And in the market we get to vote several times a day, not once every four or five years. And we are voting on specific issues rather than consigning virtually limitless powers to a bunch of politicians.

Millions of people cannot physically co-ordinate their isions except through the market. The only alternative to the market is thus the transfer of power to bureaucratic elites, nominally supervised by their

parliamentary masters.

Do such opinions make me a conservative? I would say, emphatically, no. Somebody who advocates more competition and more reliance on market forces is no friend of vested

interests or the status quo. Today's trus conservatives are the people who have learned nothing from the 20th century, the people whose stitudes and actions distantly echo the arguments of 19thcentury Fabian socialists such as Shaw. Indeed, given his optimistic temperament and commilment to human progress, I am confident that had Shaw been born in 1956, rather than 1856, he would not be a Shavian. He would be waving the

### LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

### IMF rules for loans to Russia a 'cop-out'

From Mr Jeffrey D Sachs. Sir, Mr John Odling-Smee's defence of the international Monetary Fund role in Russia NOVSMOST includes three dubious propositions that, taken together, help to account for the fMF's very limited achievements in the former Soviet Union.

First, Mr Odling Smee claims that the IMF staff are in "close contact" with Russia at this crucial juncture. In fact, aside from a couple of resident representatives, there is no IMP team currently in Russia. The IMF work, such as it is, is conducted by telephone from Washington, and by brief flyins. When the IMF is actually ready to negotiate, it will insist on a prior fact-finding mission that will absorb several weeks before the start of actual negotlations. The Russians are thereby left without in-depth IMF technical assistance in planning 1994 policies. Worse, under the IMF's standard operating procedures, Russia will

that the IMF is right to withhold its lending. The IMF simply cannot understand that by withholding its own loans at crucial points, such as early 1992 and now, it gravely weak-ens the chances for successful stabilisation. When a drowning man is 10 metres from shore, the IMF throws a 5 metre life-

line, content that it has met the drowning man half way. Third, Mr Odling-Smee asserts that it will lend money when "the Russian authorities as a whole are in a position to commit themselves to and implement, on a sustained basis, a strong adjustment pro-gramme". This IMF standard is a cop-out, and more often than not a bureaucratic excuse for inaction. In a deep crisis, reformers can never prove exante that they are in a position to sustain a strong programme;

not see another IMF loan distiney win their reforms step by IMF funds, would limit money bursement for several months.

Second, Mr Odling-Smee further successes. This was takes it for granted that Russtep, with successes leading to further successes. This was Balcerowicz in 1990, and Cavallo in 1991. The IMF must lend when the chances are good; not perfect, recognising that its own loans can help to tilt the balance.
Mr Odling-Smee neglects the

very reasons that make IMF negotiations in Moscow so cru-cial at this functure. Since the breakthrough to new elections, the reformers have had a strong hand. They have eliminated all subsidised credits; they have ended budget subsidies on agricultural procurement; they have ended artifi-cial write-offs of inter-enterprise arrears; they have taken over control of

credit policy from the wayward central bank; they have insti-tuted a bold land privatisation programme; and they have adopted a tough monetary pro-gramme, that if combined with

growth to rates consistent with single-digit monthly inflation. The new Russian fiscal year must therefore plan its 1994 programme now, not on the IMF's timetable. With pre-election polls showing the reformers with a good chance to control the next parliament, the chances for stabilisation would be good if there is adequate western assistance.

· Given that several weeks will be needed to conclude a loan agreement, preparations should already be under way in Moscow. IMF funds could be disbursed early in 1994 in the event the reformers triumph in the elections and are able to launch a stabilisation programme at the start of the new year. If conditions prove inauspicious, there will be opportunity enough to hold back. Jeffrey D Sachs, Harvard University

#### Way to run a railway

From Mr Noel Clarke. Sir, Your articles on European high speed rall ("Next chapter of the railway children", November 18) is a timely reminder of the social and environmental arguments for an efficient intsgrated European railway system. By implication it also highlights, sadly, the catalogue of failures - technical, political and com-mercial - to come to grips with

this issue in the UK.
A view I have held for some time - and, judging from a limited poll, a not too outrageous one either - would be to hand over British Rall to SNCF, the French state rail system, in return for the French govern-ment handing over Air France to British Airways. Both governments would get rid of an unprofitable investment, would be able to claim a positive step towards European integration, and, best of all, put these busi-nesses into the hands of those apparently better able to man-Noel Clarke

managing director Capital Markets Partners, 20 Parliament Hill, London NW3 2TU

### A contrast in environmental values

From Mr Ryotaro Kaneoka. Sir, I read with interest David Lascelles' comparison of the way Oxford and Freiburg manage their environmental and traffic problems (Business and the Environment, November 17). If I try and read between the lines, I see a number of contrasting approaches to the way we value the envi-

1. Is Oxford's privatisation strategy a better one? I feel pricing likely to gain wider Japan

that a market-oriented valua-tion of the environment is more sustainable because Freiburg's subsidisation only adds to unwanted budget deficits.

2. Is Freiburg's high level of community control sustainable? Heavy subsidisation adds up to higher costs, and if it continues, there may be a last-ing risk of Germany having a relatively high inflation rate. 3. is Oxford's environmental

suspect, still need Fretburg's inflationary market. But the glohal market and European currency competition must be systematically deterring ths inflationary market.

Ryotaro Kaneoka, J P Morgan Trust Bank 341 Morunouchi

#### Commercial agents will retain advantages

From Mr Clive Davies.

Sir, I was most interested in the article "Agents lose jobs ahead of EU laws" (November summarising some of the difficulties for principals in dealing with commercial agents after the new regulations come into force in the UK on January I 1994.

Like many law firms, we have been working on provid-ing advice on the impact of the regulations. In particular, I agree that companies should re-examine the implications of using commercial agents and consider the alternative of appointing distributors.

tant in making this assessment to recognise that there are fundamental differences between commercial agents and distributors which will have an impact upon this choice. In particular, it is of course

possible to set the price at which commercial agents will sell goods on behalf of a principal. Distributors, on the other hand, must be free to sell at whatever price they think appropriate. It would be illegal under resale price mainte-nance laws to provide other-

Other factors which need to be taken into account are the However I think it is impor- impact of general competition London EC4V INA

law, which in the UK treats agents and distributors very differently, and the credit worthiness of a distributor responsible for buying and paying for goods in its own right.

The new agency rules will certainly make life more difficult for principals, and in some ways remind one of the laws regulating employees. However agents do have advantages and there are a number of factors which need to be weighed in (. the balance before moving to distribution arrangements. Clive Davies. D J Freeman

## FINANCIAL TIMES

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# Decision time for Thorp

Within weeks, or even perhaps days, the government is likely to tell British Nuclear Fuels whether Thorp, its nuclear reprocessing plant at Sellafield. The decision, one of the most controversial facing the government, seems almost certain to be yes: ministers have already said they are "minded" to grant a licence. Once Thorp starts to re-process fuel, there will be no turning back. The plant will be radioactive, and subject to heaty decommissioning costs.

The alternative to approval is a further public tenning which

further public inquiry, which could last more than a year. But BNF claims this would be tantamount to abandoning Thorp, as foreign customers would walk away to French rivals. Continuing uncertainty over Thorp would also complicate and perhaps even endanger the government's

planned review of nuclear power. So far as the government is concerned, the only outstanding issue is Thorp's financial viability. A public consultation early this year concluded that its radioactive emissions would not pose a significant threat to health or the environment. But in going through a further round of consultations, the government has acknowledged the concern that pressing ahead with Thorp could land the UK taxpayer with a larger bill than stopping the project now.

Dry storage

Since the government approved Thorp's construction in 1977, the arguments for reprocessing used nuclear fuel rods have diminished. The alternative of "dry storage" containing the waste without further treatment - may now be cheaper. Scottish Nuclear, one of Thorp's UK customers, wants to switch to dry storage for part of Its waste, arguing that it could save millions of pounds a year. Thorp's critics have questioned whether BNF's overseas customers, notably the Japanese and German utilities, might make the

same choice. BNF says not. At the start of the second consultation, it published projections claiming that the UK would lose at least £900m by abandoning Thorp and switching to dry storage. Foreign customers were not only keen for Thorp to start, but were locked in with tight penalty clauses, it argued.

BNF's case is plausible. However, it assumes that customers abide by the letter of their conit can press the start button at tracts with BNF throughout the plant's life. The real risk, Thorp's critics say, is that some foreign customers might pull out and con-test their obligation to pay com-pensation, leaving the plant running below capacity.

Shortcoming

The consultation's most serious shortcoming is that the govern-ment has not commissioned any independent audit of BNF's projections. Nor has it produced its own estimates of the costs of dry stor-age, or a clear assessment of the implications of the Thorp decision for UK electricity bills. Those sums might well come

out in Thorp'e favour. - but if they have been done, they have not been made public. It is known that the Treasury has examined the figures, but given its record in projecting nuclear costs - it has consistently underestimated the costs of building and decommissioning nuclear reactors - that is insufficiently comforting.

Before any announcement on Thorp, it is essential that government reflects carefully upon these points. Ministers will be right to weigh carefully the difficulties of abandoning a plant on which £2.80n has already been spent, particularly since to do so would involve breaking commitments to Japan and Germany and would weaken, perhaps fatally, BNF, which is a British high technology company with some potential.

Moreover, to concede a further
public inquiry would play into the
hands of protestors like Greenpeace, whose aim is not just to stop Thorp, but to obliterate the UK nuclear power industry.

If the government remains minded to let Thorp start work, it is essential that ministers provide a full and rigorous validation of the economic case for doing so. The history of nuclear power in the UK contains some of the govermment's most expensive indus-trial mistakes, all of them based upon madequate analysis of costs. As Britain'e nuclear industry looks forward to its next, impor-tant stage of development, possibly to include another attempt at privatisation, the last thing it needs is an inadequately verified decision in favour of Thorp.

# Russia and its neighbours

When President Boris Yeltsin That would convince Russians suggested, earlier this year, that that the west was washing its the UN should grant Russia "spe hands of the region, and effeccial powers" to guarantee peace and stability in the former Soviet Union, he got a frosty reception outside his own country. Since then, public debate in the west has focused on Russia's internal affairs. Is Mr Yeltsin a democrat?
What are the chances of real economic reform? These have been the central preoccupations of both analysts and decision-makers.

No doubt that is correct. In the long run a democratic, market-oriented Russia would be a far more congenial and constructive member of the much-touted "interna-tional community" than one that relapsed into dictatorship and state control. But that does not mean foreign policy is perfect so long as Mr Yeltsin remains in power, still less that western governments should ignore it. Indeed, they are now being invited to take an interest in it by the Russian foreign minister, Mr Andrei Kozyrev, who has revived Mr Yeltsin's proposal in more diplomatic

Instability

Mr Kozyrev points ont that many of Russia's southern neigh-bours are wracked by internal conflicts and two (Armenia and Azerbaijan) are at war with each other. Russia, he says, cannot ignore such widespread instability on its borders, or its effect on the 25m ethnic Russians who now live as minorities in non-Russian states. Russia is blamed for not paying its share of the cost of peacekeeping operations else-where in the world, while other powers, aiready stretched and baffled by Bosnia and Somalia, are clearly reluctant to do much about similar problems in the former Soviet Union. There Russia, joined sometimes by other members of the Commonwealth of Independent States, is willing to do the job, but looks to the UN for political and financial support. And, Mr Kozyrev concludes in a seductive sotto voce, his own ministry would specially welcome UN involvement, as a way of strengthening civilian control over the Russian

forces deployed.

The worst way for western governments to react to these overtures would be to ignore them. them.

tively giving them carte blanche to solve its problems on their own as best they can. On the contrary, the west should welcome the chance to monitor, and indeed to influence, Russian behaviour in the region. Official observers, whether from the UN or from the Conference on Security and Co-op eration in Europe (CSCE), could be a useful instrument for this.

Acceptable role

But if such organisations are to be involved, their members must make it very clear what they regard as an acceptable role for Russia, and what they do not. Where Russia is able and willing to play a genuinely impartial peacekeeping role there may be a case for setting off the cost against its UN arrears, which it is anyway unlikely to pay. But it would be grotesquely misleading to describe units such as the 14th army in Moldova or the 201st rifle division in Tajikistan as "peace-keeping forces". The former is the main armed force of the break away Transdniestrian region, while the latter is propping up a regime run by veteran commi-nists and guarding the frontier against its opponents, who have fled into Afghanistan and are being radicalised into anti-Russian Islamic militants.

Russia must be expected to assert its interests in a region of obvious strategic importance to it. But it should not be encouraged to do so by deploying military force in the guise of an "impartial" pea-cekeeper. Nor should it be recog-nised as protector of all athnic Russlans, still less of all Russian-

speakers, outside its borders. The ethnic composition of virtually all the ex-Soviet republics, and most conspicuously of Russia itself, requires all governments in the region to be very sensitive in their treatment of minorities. Where external help is required with this it should be provided on a multilateral basis, notably through the CSCE's High Commissioner on National Minorities, Mr sioner on regional sunorities, Mr Max van der Stoel, rather than by ethnic "kin-states" whose inter-vention is more likely to exacerbate such tensions than to allay

dor to Saudi Arabia, Mr David Gore-Booth, paced the marbled floor of Jeddab Hamra palace in shock: "That was incredible, astonishing, unprece-

It was well after 2am and King Fabd, Custodian of the two Holy Mosques and head of the House of Saud, had just left in one of his favourite, old Mercedes limousines after lengthy talks with Prince Charles, heir to the British throne. The king had already turned con-

vention and protocol on its head with his last-minute decisioo to meet the prince on his arrival from Rivadh. The conversation, lubricated with glasses of carrot and kiwi fruit juice, began with the inevitable pleasantries about families and ambassadors but quickly moved up a gear.
Shortly before his recent, week-

long trip to the Middle East, Prince Charles had publicly attacked the regime of Saddam Hussein and called for closer understanding between the world of Islam and the west. He was highly tickled by reports that his words had triggered a fall to the Iraqi dinar. King Fahd, the first of his many

Middle East hosts, was appreciative of the speech, expressing unqualif-ied admiration and respect for his visitor. Mr Gore-Booth is not a man to wear his emotions on his sleeve. But the ambassador, casting diplomatic restraint into the hot, night

air, was gob-smacked.

King Fahd's message of gratitude was to be repeated od infinium as the prince - no longer part of the world's most famous royal doubleact - progressed across a regioo where royalty still counts. Here, royal families not only dispense patronage but award commercial contracts carrying billion-dollar tags; here a British prince can pack the sort of punch which often eludes him at home

the tone for a hectic tour of duty run at a ridiculous pace. But despite the flag-waving and flummery which enveloped the royal visit, there was a serious sub-plot. Prince Charles had come to bat for Britain. Increasingly, his trips abroad are being carefully constructed to maximise commercial spin-off for British companies. According to one of the prince's team: "Their function has changed; he is not wheeled out as a zoo exhibit."

His arrival in Saudi Arabia set

The prince himself is not worried that his unique position is being used to help trade, hoping instead that it "filters down to benefit our own companies". Indeed, he believes he is under-exploited and is desperately keen for Whitehall to do comething about it. He was bemused because there had been a row over the availability of the VC10 for the Middle East trip. A minor, inter-departmental skirmish maybe, but he believes it demonstrated the low priority given by Whitehall to such visits.

The prince has already made one behind-the-scenes attempt to enlist the help of government in devising a co-ordinated strategy for using him and his foreign excursions to best effect in selling Britain.
An invitation eight years ago

from Kensington Palace to representatives of ministries and trade bodies to consider the issue came to nothing. It floundered, he believes, in an atmosphere of national ehorttermism which he thinks still persists, and on the inability of government to orchestrate initiatives across departments.

Things can be properly co-ordi-nated in Wales and Scotland because each has only one secretary of state. Why can't it be done for the nation as a whole?" he inquires. Now that ministers, particularly in the Department of Trade and Industry, have given exports a high political priority, the prince's office wants to try again to build more effective links with government departments to maximise the value of royal missions. One aide says: "Parts of Whitehall still see royal visits in an anachronistic way. A certain amount of re-education is

required and is under way."

It is impossible to evaluate the commercial contribution of a 45year-old trainee head of state who



The heir to the British throne believes he could be used more effectively in promoting UK plc, writes Michael Cassell

# A prince captured



cannot return home with signed cootracts in a crested briefcase. But, merely by virtue of who be is, he can forge personal relationships which can lead to commercial alliances. As another member of his inner-circle puts it: "He can cut ribbons and unveil any number of plaques. But much more importantly, be can open doors."

The prince is the first to acknowledge the difficulty in assessing his value in this respect. On his visits ahroad, he says be wants to develop his role as "a cultural and commer cial emissary", acting on behalf of a country for which he cares deeply but which he believes often undersells itself. He regularly alludes to the way some of Britain's European competitors beat their own drums more effectively than UK plc.

His influence is now felt overseas through organisations such as the business leaders' forum, the newest of his husiness-led charities which is aimed at getting British companies to help the development of emerging economies. In spite of the endless suggestions that the heir to the throne is emerging from his own annus horribilis to search a newly-defined role, be insists it has never changed. Whether his value is perceived to be as great else-where, given his recent personal traumas, remains open to question. "The idea I am searching to redefine my job is rot. It is just that,

since the day I got married, people have chosen to ignore the things I continue to do day in and day out."

The Prince of Wales has been starring in what he concedes has been a "soap opera", from which, so far, it has been impossible to escape. His eyebrows rise in exasperation at the alternative, tabloid agenda which usually choses to neglect his best endeavours in

favour of what he sees as irrelevant, sometimes malicious trivia. None of this may cut much ice with those who believe the royal family is an expensive irrelevance whose time has past. The critics' convictions will only have been reinforced by the distractions of the past few years.

In Kuwait, the prince's meo were again forced on to the defensive, trying to keep oewspaper reporters away from excited, expatriate schoolchildren in case journalists fed them loaded questions to embar-rass their special visitor. Later, there was despair at newspaper sto-ries claiming the prince had made a "gaffe" by talking to a French Mirage pilot at the Dubai air show. British princes, it seems, are only supposed to talk to British compa-



Paintings by Toby Ward, Prince Charles's travelling artist: the prince with Saudi Arabia's Crown Prince Abdullah (top); and arriving in Juhali

nies. Prince Charles now hopes, perhaps in vain, that he can begin to refocus public attention on his serious role and on a broad range of issues - such as inner cities and architecture. The growing personal support team which operates from roomy offices overlooking Ambassa-dor's Court at St James' share his objectives. Those closest to him say he is "a driven man", determined to fulfil a role which has never been writien down and which he has largely created for himself. His determined sense of purpose sometimes provokes an ill-tempered outburst against those who might see

'He can cut ribbons and unveil any number of plaques. But much more importantly, he can open doors'

things differently.
In spite of the pressures, be is healthy, despite a nagging, polo-in-duced back injury which has left him with an uneasy gait. He oeeds little sleep, though the contemplative calm of a church service in Kuwait brought on obstinately heavy eyelids which threatened to hand the tabloids another headline. Before returning to Loodon, be stole a few, private hours in the sunshine at King Hussein's seaside palace in Agaba, most of them spent ploughing through the pile of

official papers at his side. Such commitment, he pleads, would not be shared by the sort of international playboy be could have been. There was no time for play as the prince criss-crossed Saudi Arabia

and the United Arab Emirates, tak-ing coffee and sweetmeats with kings, crown princes and prime ministers. Whatever the cynics might say, the British companies he called oo last week were in no doubt that the visit was worth the prince's weight in riyals.

Mr Peter Marshall, managing

director of John Brown Engineering, was among the royal visitor's bosts when be called in on the £120m Ibn Zahr plastics plant project at Jubail, in Saudi Arabia's east-

Did it belp? "Are you kidding? You can't put a value on his visit. It brought together some very influen-tial people and helped reinforce the idea of British commitment to the region." Mr Marshall will shortly return to Jubail, where he is told the visit has helped to create the right climate to carry forward negotiations oo another £110m project.

On the other side of the kingdom, in Jeddah, Mr Patrick Arnold, chairman of the local British businessmeo's group gave the same message: "Competition here is tough. But there is a lot of pro-British sentiment and this visit is a tremendous confidence booster for UK

British ambassadors, who once might have measured the success of such a royal visit hy the size of their cocktail parties, believe the

prince's commercial value is excep-tional. Mr William Fullertoo, the Foreign Office's man in Kuwait. says there have been three recent trade missions from the UK and that the prince's visit will mean continuing goodwill towards visiting groups. The prince's Arab bosts think likewise. Dr Jasim Mohhamed Alansani, commercial director for the development of the industrial city of Jubail, says: "The prince's visit will directly help British companies in their fight for work."

Despite such endorsements, the team at St James' believes that much more can be done. The prince's latest visit, for example, proved immensely more effective because of his earlier speech.

He cannot always have oo hand a weighty address relevant to the interests of his bosts, but the idea of more thoroughly preparing the ground, perhaps through linked ministerial visits, is one to be more fully explored. Another way of heightening the impact of his trips could be to orchestrate immediate follow-up business missions able to exploit the warm glow left in the

here is in place a system to help devise and plan missions for members of the royal family, overseeo by the royal visits committee, chaired by Sir Robin Butler, cabinet secretary. The Forfor overseas royal visits but which gives such expenditure low priority, plays a pivotal role in drawing up

on who goes where.
The DTI, which has tioy resources, also plays a part. Its UKbased market intelligeoce operation provides pre-trip briefings and, for the prince's Guif trip, belped organ-

energy and the eovironment. But Gen Sir Peter de la Billière, commander of British forces during the Gulf war, who accompanied the prince around the region, believes -like others in the Royal circle - that a more all-encompassing, strategic approach designed to make the best of a very British asset is needed.

Sir Peter, a director of Flemings, the Londoo-based merchant bank which has built a permanent presence in the region, is clear about the prince's special value: "There are some very beavy-hitters in the business world out here, particularly the Americans. Royalty can provide a very effective counterweight to that sort of approach."

There was no doubt that Prince Charles had a magnetic effect on his royal bosts during his visit. But that reaction is highly unlikely to be repeated so easily when he meets a more cynical public in republicanleaning Australia in January. The commercial benefits there may be a

in Saudi Arabla and the Emirates. cavalcades of limousines conveyed guests to the gangway of Her Majes-ty's yacht Britannia, where they were entertained to a modest dinner devised as a simple antidote to the excesses of the banquets on shore. As the Royal Marines played

selections from Smetana and Strauss, British businessmen chat-ted with royalty, politicians and their own counterparts from the world of commerce. Britannia is five years younger

than the prince and, with nearly 1m miles oo the clock, its future is at the mercy of a Whitehall machine which doubts its value and needs to cut costs. Now, perhaps too late, the vessel is increasingly being made available for commercial use - last week it was at the centre of Indo-British week in Bombay. Back in Abu Dhabi, as dinner oo board ended and guests prepared to watch the marines "beating the retreat", an astonished Arab guest learned of the yacht's uncertain future.

Sheikh Khalifa Muhairy, chair-

man of the Abu Dhabi Investment Authority, was incredulous. "You are mad. It is a unique advertisement for your country. How can its future be in doubt?"

If the Prince of Wales had overheard the question being asked of the 400ft yacht, he might have been forgiveo for thinking it bad been directed at the House of Windsor

### **OBSERVER**

#### Apec in c minor

One of the most delicate issues facing the delegates from 17 Pacific Rim countries who have been meeting in Seattle was what to call their high-level pow-wow.

The formal title, Asia-Pacific

Economic Co-operation, is a clumsy mouthful that Gareth Evans, Australia's foreign minister and one of the early promoters of the Apec grouping, describes with only partial grammatical correctness as "four adjectives in search of a noun.\* US secretary of state Warren Christopher called it Opec, while President Bill Clinton preferred

Asia-Pacific Economic Council. Australia's Mr Evans believes it is only a matter of time before Apec moves to "three adjectives and a noun: Asia-Pacific Economic Community." But the word "community" has ruffled many Asian feathers.

Ms Rafidah Aziz, Malaysia's minister for international trade and industry, said the group was already a "community with a small c", but that she had no desire to capitalise the word.

Fred Bergsten, the US economist in charge of a group of eminent persons drafting a vision for Apec's future, then had to convince Apec ministers that although his group's report spelt Community with a

capital C, it was not proposing the creation of another European Community.

Macleod's day

Meanwhile it did not take long to spot the odd man out at the summit. Hamish Macleod, a 53-year-old Scottish civil servant, can scarcely have expected to be rubbing shoulders so informally with the leaders of 40 per cent of the world's population when he was appointed to be Hong Koog's financial secretary.

However as all three Chinas -China, Taiwan and Hong Kong are members of Apec it was politic only for one to send its head of government. So Macleod, a mild-mannered St Andrews graduate who has worked his way np the Hong Kong government since joining as an administrative officer in 1966, was sent as Hong Kong's "economic leader".

What Jiang Zemin, China's president, thought of having Macleod sitting next to him in all the meetings is not recorded.

Gone fishing

So now we know what Sir Derek Alun-Jones, the deposed boss of troubled Ferranti, did with part of his near £500,000 golden handshake. The independent on



the fall of Thatcher, the end of apartheid - Nostradamus failed to predict any of them"

Sunday reports that he spent \$22,000 on acquiring Ferranti's share of the fishing rights on a stretch of the river Test in Hampshire. The rights had been bought wheo Alun-Jooes was running Ferranti and it could afford to eotertain wealthy overseas clients in style.

He seems to have struck a good deal paying roughly half what Ferranti paid for the stake. However, his former employer denies any special favours and says that the decline in price was due

to a combination of the recession. a drought and the fact that the other owners had the right of veto over any purchaser.

#### Tribal warfare

The Economist, redoubtable weekly magazine that it is, always adopts a lofty tone in its leader columns, dismissing with great vigour any idea it finds absurd. So it cannot complain too much

if it occasionally gets the same sort of treatment itself. Take last Friday's outburst by ex-prime minister Sir Edward Heath at a cooference in Luxembourg. Sir Edward dismissed John Major's recent European vision article in The Economist as "ghastly", and then complained that the magazine had oot allowed him to write a

serious rejoinder.
But presumably that request was only a jest, since be ended by dismissing the mag as "not read at all in Britain, sparsely read in Europe, and mainly a coffee table paper in America".

#### Buying time

Saatchi & Saatchi, which has brushed up the image of everyone from Boris Yeltsin to Britain's Conservative party, is not one to duck tough assignments. So It is perhaps not surprising that the

latest - and perhaps oddest political figure who may seek its help is former Nigerian president General Ibrahim Bahangida. Bahangida stood down in August

after eight years in charge, but at 52 he seems too young for permanent retirement. He now lives in some splendour in his home town of Minna, but his aspirations for statesmanship appear to be resurging, now that his erstwhile right hand man, General Sani Abacha has got rid of the interim government, led by civilians but backed by the military.

Word is that Babangida may be prepared to pay handsomely for the top-notch marketing advice available from the likes of Saatchi, to smooth the path for a possible comeback when elections are beld in a few years' time.

#### Back to basics

■ A terrifying oew professional standard is being proposed for Britain's bean-counters by the **Auditing Practices Board. SAS 210** pronounces that auditors must get to know the husiness they examine sufficiently well to understand the practices that might bave a significant effect on the financial statements. It seems that there has been no such standard in the UK up till now. No wonder all these companies keep collapsing without a peep from the auditors.



# FINANCIAL TIMES

Monday November 22 1993



# Nigerian report urges an inquiry into 'leakage' of state funds

By Michael Holman, Africa Editor, in London

A confidential report for Nigeria's deposed civilian leader attacks widespread leakages in state funds and urges an investigation into \$1.5bn of oil receipts paid into special project accounts in the first half of this year.

The report also reveals that the mid-year limit for this year's national budget has been overshot, with the deficit reaching N26bn (\$540m), far in excess of the N15.6bu target and little short of the N31.1bn deficit approved for the full 12 months. It also warns of "buge" defence ministry debts.

The disclosures come as Britain and its Western European Union partners meet in Luxem-bourg today to consider sanctions against Nigeria's new military

The 60-page document, "Final Report of the Budget Monitoring

Shonekan, civilian leader of the military-backed interim government. He was forced to resign last week by General Sani Aha-cha, the defence minister who is now the new head of state.

The report, handed over to Mr Shonekan on August 24, criticises 'leakages" of state funds, condemns unviable multi-billion dollar projects, and shows up a legacv of mismanagement and uncontrolled state spending under Gen Ibrahim Bahangida, who stepped down last August after seizing power in 1985.

Western diplomats and aid officials, who gave access to the report, say that the committee's efforts to make government spending more transparent and the operations of the state-owned Nigerian National Petroleum Corporation (NNPC) were largely trustrated by the country's gener-

the corruption that pervades the

political system, they said. In the first half of this year, says the report, oil sales worth "a total sum of \$1.537bn was paid into various dedicated accounts". The committee complains that it was unable to have access to detailed information on the operation of these accounts", set up under Gen Babangida to meet the foreign exchange costs of projects such as a proposed liquefied natural gas plant.

The committee advocates "a clearly defined reporting process" for revenue earning agencies, "particularly" for the NNPC "so that the reason for the large shortfalls in revenue" in the first half of the year "can be identified and leakages blocked".

The report expresses concern about "non-payment of revenue of N1.1bn expected from the sale refined by NNPC for local conimption" in the first six months The military feared exposure of of this year. The non-payment

"should be tackled with all the seriousness it deserves", says the

The report notes that the ministry of defence has "secumulated huge debts which government is not in a financial position to bonour at the moment" and criticises the "considerable cost of keeping procured weapons in warehouses abroad".

Western military attachés say that the army has made substantial purchases of weapoury abroad, much of it unness inappropriate, while failing to maintain existing equipment. A western commercial attache with first-hand knowledge has said that "commissions" to middlemen ranged from 20 to 40 per cent of the contract.

 Nigeria's military govern ment has reduced last week's increase in the petrol price from No to N3.25 a litre in a deal with labour unions which ends the week-long general strike.

### Europe-wide spending curbs put pressure on pharmaceuticals groups

# Drug sales hit by government reforms

Drug sales in Europe have stagnated in the wake of government reforms aimed at curbing spending on pharmaceuticals in Germany, Italy and the UK.

Sales in pharmacies in the seven biggest European markets, which together form the world's biggest drugs market, were static at constant exchange rates during the first nine months of this year, according to IMS International, the market research

Correspondent, in London

secure business for Britain.

from \$38.4bn during the first three quarters of 1992 to \$34bn during the same period this year.

Further reforms to limit pharmaceuticals spending, recently announced in Spain and Portugal, will add to the pressure on sales. France is also expected to reveal a new drug-pricing scheme later this month.

Pharmacenticals companies are also struggling with sluggish growth in the US, the world's big-

Prince of Wales sees lack of

official UK support on tours

\$33.2hn. Sales bave been held back by the growing power of bulk purchasers of health capable of negotiating ever greater

The Japanese market the world's second-largest single market, rose 13 per cent in yen terms, up from \$11.3bn to \$14.6bn. However, a 7 per cent price cut is expected to be introduced next year by the ministry of health

The slowdown in Europe was gest single market. This grew mostly the result of a collapse in

to refocus attention on his seri-

His separation from the prin-

cess last year came at a time hen the role of the Royal Fam-

ily in Britain and its use of taxpayers' funds to support its pub-lic duties bave come under

Prince Charles feels that

increasing scrutiny.

ons role as beir to the throne.

gle market in Europe. Sales in Germany dropped from \$10.9bn to \$9.3bn, a fall of 10 per cent at constant exchange rates. The Italian market declined from

> Drugs sales, excluding exchange rates, increased in five of the seven largest European markets. However, growth in France, the UK, Spain, the Netherlands and Belgium was not enough to offset the decline in Germany and Italy.

cent excluding currencies.

\$8.4bn to \$6.2bn, a drop of 3 per

### **Egypt-Israel** grids link

Continued from Page 1

After years of public obsession Mideast peace agreement. with his marriage to the Princess Wales, Prince Charles wants

deal, Mr Shahal said a pipeline would be built from the Egyptian Nile Delta to Israel, passing through the Gaza Strip, which could also be supplied with Egyptian gas. Israel hopes to agree a supply contract under which Egypt would pipe up to 2m tonnes of natural gas annually for 25 years, mainly to Israeli

international energy company. approved by both Egyptian and undertake a study.

Egypt has said it has insuffivide the necessary reserves.

Where royalty still counts,

regional power grid as soon as there is a more comprehensive Under the potential gas supply

power plants.

funded in part by the EU. An Israeli energy ministries, will

cient natural gas to export, but potential discoveries might pro-Mr Shahal also said that, in future, payments for Egyptian petroleum would be made through an Israeli commercial

FT WORLD WEATHER

#### THE LEX COLUMN

# A taste for Guinness

There has been something of a turnround in City sentiment towards. Guinness, whose shares have risen by 13 per cent from last month's trough: Part of the reason is the more robust message coming from management. First came the shake-up at the top of its spirits division, though that can only be judged when a replacement is found for Mr Crispin Davis, its former chief. Guinness has also ma certed effort to reassure the market sbout the durability and usefulness of its links with LVMH. Last week's sale by LVMH of its Roc beauty products division will further calm fears that it might sell its 24 per cent stake in Guinness to raise cash. It would have to be foolish - or desperate - to do so

at this stage of the cycle anyway. Perhaps more important is the way Guinness is tweaking its message about brands. There is less talk now about trading up in scotch, and more about securing market share by demonstrating the inherent value rather than the mere status appeal of its brands. That applies even at the lower end, which Guinness has neglected in the past. Guinness may thus derive premium value for its brands across the price spectrum in a way that is less dependent on a ten-dency to trade up. In beer, Guinness is pushing its stout brand in a way that seems consciously designed to distract from the continuing embarrassment of its foray into the Spanish domestic lager market.

No doubt this new formulation of its strategy appeals because it corre-sponds better to the drinks market reality. Guinness is adamant that it is not in the business of discounting. Nor is it simply living in the hope that its customers will soon begin to trade up again. A better-defined sense of purpose may have stopped the short-term rot in its share price. It will still be a long while, though, before that translates into a significant recovery of

#### Alcazar

It was always going to be tough getting Alcazar off the ground, given the complexities of negotiating between four airlines, six governments and a host of trade unions. But after compromising over so much, it seems odd the merger should come juddering to a halt over the seemingly innocuous issua of which US airline partner to choose. That suggests the principle of the merger itself may have become an issue, rather than just the practicalibly from the Commonwealth of Inde-

bies. In any event, the carriers have little option but to seek new alliances The experience of the low-cost Southwest Airlines in the US has shown that size is not the only criterion for aviation success. But the four European carriers have all inherited high cost bases and geographic limits tions. Only the economies of scale deriving from mergers are likely to solve their competitive problems. SAS appears in most urgent need of an alternative. A restructured deal with KLM must remain possible.

The big three European airlines,

however, will be quietly chuckling at their smaller rivals' difficulties. British Airways will press ahead in Europe through TAT and Deutsche BA. Air France can keep trying to defy economic gravity a little longer. But the biggest beneficiary of Alcazar's failure could be Lufthansa. Austrian Airlines now seems likely to succumb to its advances. And, despite its exist-ing links with Delta and Singapore Airlines, Swissair may also find it hard to resist being drawn into its

The launch of Mercury 'Asset' Management's mining trust this week will provide investors with a useful diversity of risk. RTZ stands alone among top-notch UK mining compani the trust will invest worldwide. Whether it is worth digging deep to invest in mining shares at this stage of the cycle is less clear. Base metals prices are at historic lows in real terms - so it is tempting to call the turn. Demand for metals should improve through 1994 as economies pull out of recession. The snag is that high stocks and cheap exports, notapendent States, leave metals markets

with plenty of slack. Past experience suggests stocks in aluminium and nickel will have to halve before prices show real recov-ery. Stock levels will only fail slowly unless production is cut. There are some signs of action on that front. US aluminium producers have cut 700,000 tonnes capacity in the last 16 months. ret exports from the CIS have risen twice that amount since prices started to slide. Russian aluminium smelters and nickel producers will be unwilling to turn off the tap. While most big tin producers recently agreed to restrict exports, it is not clear China will do so. There is always a chance that demand within Russia will revive and soak up more local production. But that cannot be taken for granted. While the slide in metals prices leaves scope for dramatic improvement, the timing of recovery looks anything but

#### Hong Kong

copper-bottomed.

For a stock market which has risen 70 per cent this year, Hong Kong is not easily unsettled. Morgan Stanley's advice that its cliants should scale back exposure to Hong Kong equities might have been expected to jangle nerves. The flight of US institutional investors from low interest rates at home has contributed heavily to the market's remarkable run. With shares trading on a multiple of around 15 times next year's forecast earnings against a normal trading range of up to 125 times - it is hard to quibble with the judgment that the Hang Seng

index is fully valued.

But the US is not the market's only source of liquidity. Japanese investors have joined the buying party since the summer, With the local economy booming, Hong Kong itself is hardly strapped for cash. Anecdotal evidence suggests local investors have pulled back from the more extravagantlypriced stocks. Some of that cash is likely to be reinvested, perhaps in sec-ond-line shares. That should provide support even if US investors now temper their enthusiasm.

Still, Hong Kong will find it more difficult to shrug off bad news from bere on. China remains both an enticing prospect and a possible source of nasty shocks, both political and economic. While Beijing's credit squeeze now appears to be easing, that may only postpone the day when resolute action is required to curb an overheating economy.

#### emerged during his recent tour of the Middle East when he vislted projects involving British

United Arab Emirates and Knwait. A Financial Times correspondent travelled with the Prince and was given full access as be met the Gulf rulers, government and business leaders.

The prince has previously tried inviting UK government departments to co-ordinate a more strategic approach to getting the

Europe today

The early winter conditions will keep a firm

grip on Europe. Unseasonably cold and sometimes record low temperatures affect a large area. Temperatures will not exceed freezing north of Spain and Bulgaria. During

Widespread snow is expected from the

and central Germany. Cloud in the Low

and Ireland tomorrow, possibly bringing

German Airlines

Five-day forecast

north-western France.

TODAY'S TEMPERATURES



with little success.

most out of his visits abroad, but

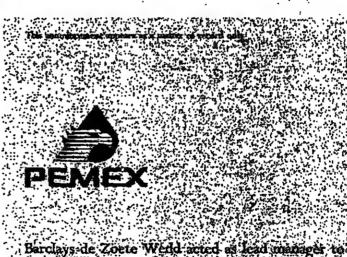
Fresh attempts are now being made by the prince's private office to improve links with with the DTL which has itself

#### The Prince of Wales is frustrated at what be sees as lack of support from some powerful government departments for royal visits abroad which could beip The prince wants more support for his role as a commercial and cultural ambassador for Britain when he goes abroad as part of

embarked on an ambitious programme to help boost British



enior officials have underestimated the potential commercial benefits for UK companies fighting for work in tough foreign markets from his role as a royal According to one of his inner circle: "Parts of Whitehall still see royal visits in an anachronistic way. A certain amount of reeducation is required and is



Petroleos Mexicanos in the issue of 175,000,000 9 per cent guaranteed notes due 2003.

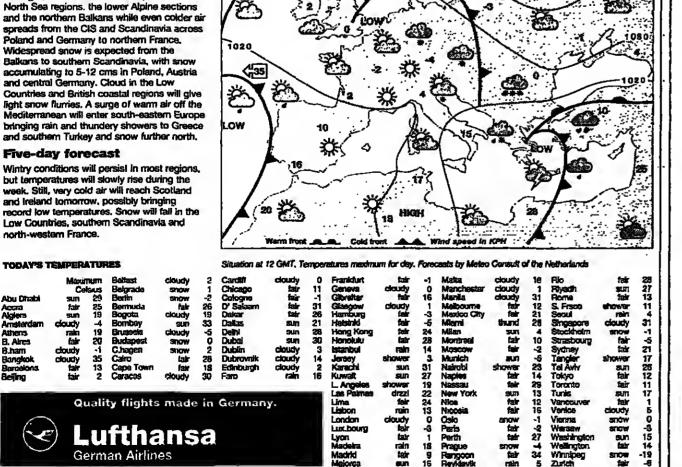
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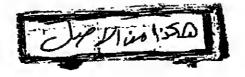
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## **FINANCIAL TIMES**

# **COMPANIES & MARKETS**

OTHE FINANCIAL TIMES LIMITED 1993



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> The Markets this week:

Starting on page 17

go:ernment

in a lot of

fund-raising

Street closes

PETER MARTIN

GLOBAL INVESTOR

# Middleton in final plea for Merrett

By Richard Lapper in London

Mr Peter Middleton, chief executive of Lloyd's of London, will today make a last-dich effort to persuade Lloyd's agents to increase their backing for syndicates managed by the Merrett Underwriting Agency Management.

Fears are growing that fall-ure could lead to the break-up of the wider Merrett Group, which also owns insurance services interests

Lloyd's has become involved because Merrett's two biggest syndicates 418 and 1067 lead some of the market's most valuable US insurance business and are unlikely to continue trading next year with-

out support. The Merrett's syndicates' difficulties have increased by the collapse of plans last week to secure support from Travelers, the US insurance company.

Members' agents (who handle the affairs of Names - the individuals whose assets have traditionally supported the market) are now said to be offering between £32m (\$48m) and £33m in backing for syndicate 418, compared with the and £33m in backing for syndi-cate 418, compared with the syndicate's current capacity of the Swiss reinsurance com-£150m and an estimated minimum requirement of £50m.

and 1990 loss-making years. A spokesman said yesterday that Lloyd's "was concerned to ensure continuity for existing policyholders and that the interests of members are safe-

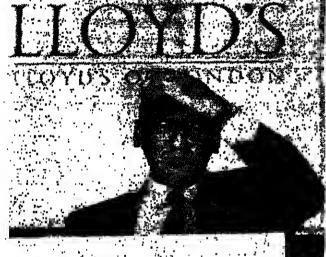
A "steering group" consist-ing of Mr Middleton and other senior figures will co-ordinate the activities of the Lloyd's Corporation – which adminis-ters and regulates the market – and Lloyd's agents.

Mr Keeling replaced Mr Stephen Merrett, chairman of the Merrett Group, as deputy chairman of the Lloyd's mar-

ket in Angust.
As well as 418 and 1067 the group had aimed to manage four other syndicates - 179, 332, 1038 and 1184 - next year. They could now be trans-

ferred to other agencies, leaving the group dependent on its income from insurance ser-vices business including Miller Knight, the loss adjusters, BIL. business, the Merrett Health Risk Management, and BCS, a specialist run-off company. Meanwhile three Merrett

pany. Mr Dennis Purkiss, for-mer group chief executive of Lloyd's could also be left with . Marrett, will become chief the joh of organising the "run" executive officer, while Mr Ken off" (meeting claims on exist. Barrett and Mr Stewart Ladering policies) of any Merrett man, underwriters of 1067 and syndicates which are closed. 418's non-marine business Merrett is already handling the respectively, will join the Zurrun-off of syndicate 418's 1985- ich underwriting team.



Peter Middleton: wants Lloyd's agents to back Merrett syndicates rier has become one of the crit-ical aspects of any global alli-

# Forte may sell KFC stake

Monday November 22 1993

Forte, the hotels and restaurants group, is believed to be close to an agreement to sell its stake in Kentucky Fried Chicken to Pepsico, its partner

Pepsico is expected to pay Forte about £40m (\$59.6m) for its 50 per cent stake in the ven-ture, which is responsible for 304 Kentucky Fried Chicken restaurants in the UK. Of and 220 are franchised.

of its drive to concentrate on its core hotel and restaurants Kentucky Fried Chicken has suffered from price competi-

July 31 this year. restaurants division as a

whole, where profits grew by 18 per cent to £40m on sales up 15 per cent to £359m.

Last December, it bought the \$110m or less Relais autoroute restaurant chain in France from Accor. the French hotel group.

which it put up for sale earlier this year.

received so far have been for

It is now thought to be holding out for a higher price. The Forte airport services division, which is to be floated early next year, will be called the Alpha Airports Group. Mr Paul Harrison, managing

director of the division, said: The name Alpha was chosen beczuse it signifies beginning in Greek and is also appropri-ate, being the first letter of the a riators' alphabet.

giving. If the auctions go poorly, what impact will the continuing rise in US long-term interest rates have on the rest of the world's financial markets?

> EDWARD BALLS: **ECONOMIC EYE**

without shock" is a tempting slogan for politicians in the run-up to

elections. A more gradual approach to reform may have worked in China. but option. Page 17

Gilt-edged market makers have been asked by the Bank of England whether fully-fledged bond lending or repurchase (repo) system. Page 18

In the US, the markets will assess further evidence of economic pick-up with one prospects, Page 19

Emerging markets: The passage of Nafta may not berald a Latin American stock market boom, but it has helped avoid a bust. Page 20

After recovering some ground, the D-Mark may come under renewed pressure. Page 20

#### STATISTICS

Base lending rates ..... FT-A World indices ....... 27 Foreign exchanges .... London recent issues .......27 London share service .. 27-29 Managed fund service . 23-27 Money markets .....27 New int bond issues ....... 18 World stock mkt indices ... 22

Industries Correspondent

in the busine

lcazar yesterday turned into Alcatraz

A turned into Alcatraz for four European

medium sized airlines. KLM

Royal Dutch Airlines, Scandi-

navian Airlines System (SAS), Swissair and Austrian Airlines

had attempted for the past

seven months to merge their

operations to create a "fourth force" in the European avia-tion industry to compete against the big three European

airlines: British Airways, Luft-hansa of Germany and Air

The four airlines picked on

the name of Alcazar, the Span-

ish for a Moorish fortress,

because their intent was to cre-

ate a new fortress airline sys-

tem in Europe to defend themselves against the increasing

consolidation and globalisation of the European airline indus-

Until a few weeks ago, it

seemed the four carriers were

close to agreement. They man-

aged to compromise on several complex issues including the valuation of assets, headquar-ters location for the new joint

airline company and the joint

But at the end of the day it

was the new partnership's American connection which

transformed the ambitious ven-

ere into a prison which, like

Alcatraz, was impossible to

Mr Jan Carlzon, the former

SAS president, warned two weeks ago that the choice of a

US airline partner was "the

only real large question that can still endanger Alcazar". A partnership with a US car-

management structure.

France.

these, 84 are directly owned by the Forte/Pepsico joint venture Forte has been keen to sell its stake for some time as part

tion from other fast food outlets. Forte does not provide separate figures for Kentucky

Dream of freedom

turns into a prison

ance by a European carrier or

group of airlines. But the prob-lem for the Alcazar partners

had been made all the more

difficult because three of the

carriers had already estab-

lished ties with US airlines:

KLM with Northwest, Swissair

with Delta Air Lines and SAS

with Continental, Until yesterday, financial advisers to the four airlines

felt that the US partnership

issue was in many respects

less complex than the other

problems the carriers had man-

aged to resolve over the past

'It boiled down

to KLM versus

the rest'

few months of hectic negotia-tions. Indeed, bankers had cal-

culated that co-operation in

Europe would account for most

of the \$1bn benefits the alli-ance was expected to provide with the US partner playing a relatively minor role.

In the last few days, the

issue appears to have been nar-

rowed down to a simple choice

with KLM insisting on its US partner, Northwest, while the

other three airlines favoured a

link with Delta, in which

Swissair has a 5 per cent cross-

equity stake.
"It boiled down to KLM ver-

sus the rest on the US partner

issue," one source close to the

KLM, which owns a 20 per

cent stake in Northwest's par-

ent, Wings Holdings, argued

that Northwest offered strate-

gic advantages to Alcazar

negotiations said yesterday.

Fried Chicken, but it said last September that the chain's sales fell in the six months to This was in contrast to the

In addition to Kentucky Fried Chicken, Forte owns the Welcome Break, Happy Eater and Little Chef roadside res-

US "open skies" deal with the

But Swissair said Northwest

was too weak financially and

its US network, based around

its bobs of Minneapolis and

Detroit, was considerably less

attractive than Delta's deeper

each in the domestic US mar-

KLM, however, was worried

that Delta's main European

hub at Frankfurt would rival

the hubs of the Alcazar part-ners in Amsterdam, Zurich,

Copenhagen and Vienna. But

the other partners argued that

Delta's strong presence in

Frankfurt, rather than compet-

ing against their hubs, would

enhance their position in Europe by strengthening their

presence in the large German

KLM got its way, the partner-

ship would be heavily tilted in

the Dutch airline's favour with Amsterdam ending up playing the dominant role in the alli-

The collapse of Alcazar will

now force the four airlines to

reconsider their longer term

market. They also felt that if

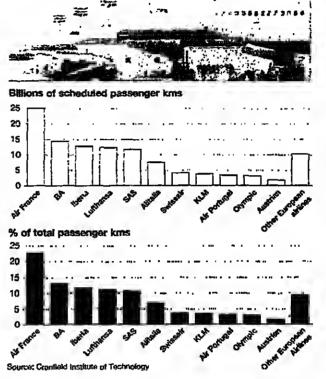
Netherlands.

Forte is believed to have had less luck finding a buyer for its Harvester restaurant chain

The group had indicated that it boped to sell the chain for more than \$120m. It is believed, however, that offers

Paul Betts explains why four European airlines abandoned the Alcazar project

European airline passenger market



to return to profitability. But without a strong international partnership, its longer-term

KLM, which failed to form a partnership first with Sabena future remains clouded. of Belgium and then with Brit-Swissair has already made it ish Airways, has been cutting clear that will need a strong costs and believes it is now in European partner. It already has links with Delta and Singa-pore Airlines, but the airline a better position to face the competitive pressures of air-line deregulation and globalisaneeds a big European alliance. tion than two years ago. The Mr Hannes Goetz, Swissair's chairman, recently said if Alca-zar failed, Swissair would have Dutch airline also believes it can buy some time to consider to consider a partnership with new partnerships because the pace of liberalisation in Europe one of the three big European carriers: BA, Lufthansa or Air SAS has also restructured its

As for Austrian, the smallest

to pursue its cost-cutting drive of the four, it has already held talks with Lufthansa and bas not ruled out an alliance with

The collapse of Alcazar in no manner suggests a reversal in the current trend of consolidation in the European airline industry.
If it had succeeded, the top

six airline groups in Europe would have controlled almost 85 per cent of European airline traffic. But as Professor Rigas Doganis, of Cranfield Institute of Technology, recently put it: "If it does not, another grouping will emerge. The conse-

#### This week: Company news

BASF/BAYER

#### High cost base deepens woe in chemicals

Buffeted by intense price competition and overcapacity, the European chemicals industry is suffering severe difficulties. in Germany, the problems of the three chemicals giants - BASF, Bayer and Hoechst - are exacerbated by the high costs of manufacturing

in that country.

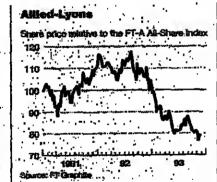
The companies have already indicated that they expect no turnaround in the second half of the year, but a clearer picture will emerge this week when two of the big three release their nine-month results: BASP today and Bayer on Thursday. Bayer, which is insulated from the

ferocious downturn in bulk chemicals by its healthcare business, has predicted that earnings will drop 20 per cent this year to DM2bn (\$1.1hn) and should be able to spell out whether this is still attainable.

BASF will look in bad shape by comparison. Profits halved in the first six months to DM249m and may have been all but eliminated in the third quarter. There is no question in my mind

that BASF is now making losses," said Mr Albert Richards, chemicals analyst at CS First Boston in London. This might not be obvious under German. accounting rules, which give management the freedom to report what they want. If they reported under US Generally Accepted Accounting Principles [as Daimler-Benz does] they would probably report a significant

loss for the nine months." Under German rules, EASF is likely to report a token profit. Without a recovery in prices and volumes, the group can only hope to return to genuine profitability if it cuts costs. On Friday it announced plans to cut its workforce by a further 2,300 in 1994, taking the headcount down to 45,900. This is 9,000 fewer than in 1990, but analysts will want to know whether chief executive Mr Jürgen Strübe has done enough to attack the cost base.



#### ALLIED-LYONS Delay in reaping benefit of change

For two years, the drifting fog of worldwide recession has obscured the benefits to Allied-Lyons, the UK drinks, food and retailing group, of refocusing

Few expect first-half results on Tuesday to afford any clearer glimpse of what has been achieved. Pre-tax profits are expected to improve 24 per cent to about £290m – but by only 7 per cent if one off factors are excluded. The team which took over in 1991,

after a £147m loss on currency transactions, responded immediately to criticisms that the growth rate had been pedestrian. It has reformed the management structure. Peripheral, low-profit operations have been sold, including Lyons Maid ice-cream; Sapori the Italian bakery business; wine interests in Germany and Chateau Latour, the Bordeaux vineyard - on which a £20m book loss will be taken.

In the spirits division, increased marketing spend has been concentrated on its leading brands – Ballantine's, Beefeater, Kahlua, Courvoisier and Canadian Club.

The alliance with Domecq of Spain has extended into Mexico. In Germany, France, Italy and Greece, Allied has taken control of its brands distribution. Brewing operations have been merged with Carlsberg in the UK.

While these moves have been applauded, investors will have to wait a little longer for the rewards.

The Control of Control

#### OTHER COMPANIES Key day in battle for Paramount

Today is the expiry date for US cable company Viacom's friendly tender offer for Paramount Communications. The entertainment group is also the target of a \$10.6bn hostile bid from QVC Network.

Rhône Poulenc: The public offer of shares in the French chemicals and pharmaceuticals group closes tomorrow. Demand for the government's second big privatisation issue has been strong and the offer is expected to be heavily oversubscribed. The price for institutional investors, which is being set by a book-building process, should be announced by Thursday.

Thorn EMI: The UK music and rentals group announces half-year results on Tuesday, with pre-tax profits expected to be flat at around £105m (\$156m) after roughly £10m of exceptional costs, Interest will focus on compact disc pricing, with further questions possible about the US subsidiary Rent-A-Center, which allegedly used unorthodox methods to extract money from late-payers.

■ Philip Morris: The board of the U\$ tobacco and foodgroup board meets on Wednesday to consider restructuring plans aimed at cutting the cost base, It has already warned this will involve a "significant" charge.

■ Nestlé: Stock markets around the world will want news of the extent to which the Swiss foods and mineral waters group is coping - or otherwise

# Share price relative to SBC General

appears to have slowed.

top management and intends

with the global shift by consumers away from higher margin brands. The group, which counts Nescafe and Perrier among its heavyweight brands, makes a progress report on Wednesday at its autumn press

Net profits were 6 per cent ahead half-way through the year, at SFr1.25bn on sales little changed.

■ Tate & Lyle: Following a statement in September from the UK sweeteners group, analysts are expecting pre-tax profits of around £220m to be announced on Wednesday for the full-year, against £189.5m. Much of the gain will have come from favourable exchange rates.

Commerzbank: Germany's third biggest bank kicks off the sector's reporting season on Thursday with the announcement of 10-month results. It was 15 per cent ahead in the first five months, although partial operating profits - excluding earnings on own-account trading - were static.

#### Companies in this issue Morgan Stanley Navan Resources ..... Crossroads Off . 18 Schindler ... Paramount .... File Indinar .... 18 Stagecoach Holdings ..... 18 George Weston .. Талпас .... KHD .. Potvchem . UniChem ... London United Invs ...... 18 18 Yamaha .... Royal Bank

## GERMANY

quences will be the same."

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# Direct Line chief sells | Unscrambling a plate of tangled spaghetti bonus for one-off £45m

and John Gapper

Mr Peter Wood, the chief executive of Direct Line, the rapidly growing insurance company owned by the Royal Bank of Scotland, is about to swep a multi-million pound remuneration package for a one-off payment of ebout £45m.

Full details will be disclosed later this week when Direct Line reports its latest figures.The payment is expected to consist of cash and shares in Royal Bank of Scotland. It is understood that Mr Wood will hold the shares for et least five

The payment is understood to include remuneration of

reflecting the rapid growth of the motor insurer in the past 12 months.

Last year Mr Wood, who founded Direct Line in 1985. received a little more than £6m from his bonus contract which links his annual pay to the rate of asset growth of the insurance company.

The bonus accounted for £6,014,000 of his total emoluments of £6,121,290. The deal was criginally agreed in 1988 when Mr Wood sold his 25 per cent stake.

The company was the UK's first telephone-based "direct" insurer, selling motor insurance policies by telephone and has grown rapidly, specialising

about £18m for this year, in the lower risk end of the market. Earlier this year it announced that it was on course to becoming the country's biggest motor insurer.

Direct Line recently announced its intention to expand into the home insurance market, where it is highly critical of the commission rates charged by building societies, banks and other intermediaries. The group is also test marketing plans to sell personal loans by telephone.

The company has nearly doubled the number of its motor-insurance customers to 1.25m during the past year. It employs 1,900 people in Croydon, Glasgow, Manchester and

holds about 8 per cent of Fife He joined the board in 1988 following Fife's acquisition of

as chairman Mr Crolla, who would become managing director, said he had approached Fife with proposals in June, but

soon be sent to shareholders setting out his proposals which are likely to include

T t is one of the biggest and tail. It was primarily North most complex insolvencies American insurance and reinever. Last week it moved surance for professional and into a new phase, as creditors medical indemnity, product liavoted overwhelmingly for a bility and directors and officers

cover. From the late 1980s, adverse

claims rose to the point at which they ceased underwriting new business, and then in 1990 instructed Weavers to stop Running down the company is likely

paying claims on their behalf. After lengthy negotiations with creditors, the companies entered provisional liquidation in March 1992, except Walbrook, which entered the procedure in August that year.

Collectively, the Kwelm companies have more than \$5bm (£3.3bn) in liabilities. Allowing for current actuarial estimates with a high degree of statisti-cal confidence, the final figure may be as high as \$9.1hn.

Aside from the sheer size of the numbers in the accounts work on Kwelm has presented substantial difficulties. At its peak Coopers was using the equivalent of up to 50 full-time

So far, the firm's fees have exceeded 27.4m, and its total

as many future claims continue to emerge partly because of creditors' concerns that there would be

clashes in objectives if the LUI-

administrators remained in

to take 40 years

Andrew Jack examines the highly unusual and complex insolvency of Kwelm

costs, including legal fees, are

£22m. Over the next three

costs of \$89m (£60m). Mr

years it projects administration

Hughes argues that the com-

Another sensitivity is the

potential conflicts of interest,

which are rife at Kwelm. Wal-

brook last summer becama

plexities justify the fees.

charge of managing Walbrook. oopers has hired actuaries and accountants from its own practice to provide independent advice on the liabilities and the viability of the scheme. It is also, like the other large accountancy firms, a creditor to the Kwelm companies on professional

idemnity. Mr Hughes says: "We have to he sensitive to issues where there might be a conflict. If he believes there is potential tension, he uses Mr Gareth Hughes, an Ernst & Young

partner, as "scheme conflicts

**UniChem** 

in £8.9m

identified, previously a detail which only the broker needed. part of the Kwelm scheme So far, that has led to the identification of more than 35,000 creditors. It will take many more months for the process to be complete. "We have

> information that is, crudely put, like a plate of spaghetti, says Mr Hughes. To help grapple with the logistics of the proposed scheme, Coopers brought in one of its own project manage-ment consultants, Mr Jeff Morris. His previous job had been to co-ordinate the relocation of 5,000 Coopers staff as the num-

ber of London offices was cut

from 13 to three.

One of the most time-con-

suming tasks has been recon-

structing the records of the

insurance companies in usable

form. Many are stored in Lon-

don warehouses on paper or

microfilm. Even those on com-

puter need modifying so each

individual policyholder can be

He created six teams to work on the preparations behind the scheme, including one to man-age and invest Kwehn's considerable cash assets of more than \$700m, which it must retain to pay out future claims. The presence of so much money makee Kwelm a highly

Another team was geared to explaining the scheme to the

10 different types of creditor who had to approve it those who were and those were not to benefit from the government's Policyholders' Protection scheme, across each of the

**→** • 55.

y

five Kwelm companies. Now Mr Morris is planning the gradual run-off stage of Kwelm, most of which will be done by about 160 staff employed through Kwelm Management Servicas. That requires considerable investment in new systems, in re-establishing a relationship with the rest of the insurance market, and motivating staff.

job with a business A which plans to close rather than grow may seem an umusual choice, but Mr Morris says: "Job guarantees are very short-term these days. KMS has a life of at least 20 years."

There is e big job going forwards," says Mr Hughes. Financial investigations aret under way to trace assets, and litigation against both auditors and agents alleged to have misappropriated assets continue. The House of Lords still has to resolve exactly who will can benefit from the Policyholders'

It will also be some time before the effectiveness of schemes of arrangement for incolpent insurance companies has been reliably tested.

### **Boardroom battle at Fife Indmar**

By Peggy Hollinger

minority group of shareholders at Fife indmar, the engineering and distribution company, is leading e boardroom rebellion aimed at unseating Mr Gavin Hepburn, the long-time chairman.

The shareholders, who claim some 10.5 per cent of the shares, have requisitioned an extraordinary geoeral meeting to replace Mr Hepburn and fellow director Mr Michael Munro with Mr Guido Crolla, a ScotDavid Chassels of BDO Binder Hamiyn

The rebels are claiming that the current management had failed to "make best use of the acquisitions in tha last few years", according to Mr Crolla, who made £1.7m earlier this year wheo he sold his Citylink hus husiness to National

in the last decade, Fife has diversified from marine engineering into distribution and

The rebels include director

Jack Scot, his North Sea hire firm. If successful, the rebels intend to appoint Mr McDonald

had been rejected.

A detailed statement would

asset disposals.

### Ruberoid oversubscribed

in Badgerlins, the regional bus investors, while a further

at 115p.

than requested.

The offer for sale by Ruberoid, the roofing subsidiary Tarmac is spinning off to the market, was 2.1 times subscribed. With 16.53m ordinary 5p shares available, valid applications

scheme of arrangement under

English law for the Kwelm

At stake is the future of five

insolvent insurance companies.

themselves part of a far wider

web owned by London United

investments, which is in

administration. Other con-

nected companies include

Weavers, the insurance agency

"This is either the end of the

beginning or the beginning of the end," says Mr Chris

Hughes, head of insolvency at

accountants Coopers &

Lybrand and one of the joint

Creditors to the different

companies may receive initial

dividends in the range of 3 per

cent to 12 per cent by summer next year, and between 35 per

cent and 47 per cent ulti-

mately. But the process of run-

ning down the company is likely to take as long as 40

years, as many future claims

continue to emerge.

Kwelm is short for King-

croft, Walbrook, El Paso, Lime

Street and Mutual Reinsur-

ance, five insurance companies which were created or acquired

by LUI since the early 1970s.

Most of the business they took

on through Weavers was "long-

rovisional liquidators

insurance companies

now in liquidation.

were received in respect of 35.03m shares. Applications for 200 to 500 shares will be met in full; 600 shares will receive 550: 800 will

receive 600; 1,000 will receive

Demand was heavy for shares

company which begins trading

on Friday, with the public offer 1.7 times subscribed.

Lazard Brothers, Badger-

line's merchant bank, said

to 10,000 will receive 40 per cent of application; 20,000 to 500,000 will receive 20 per cent of application with a minin of 4,500 shares; more than 500,000 will receive 17.5 per cent of application.

Priority epplications for 241,800 shares received from eligible employees will be allocated in full.

14.2m was offered to the public

500 shares would get fawer

Heavy public demand meant

#### pharmacies in and around Heavy demand for Badgerline Bradford. Turnover for the year ended September 1993 was with institutions and other £52m with pre-tax profits of a little more than £1m.

Stagecoach makes that applicants for more than

£4.4m bus buy

Stagecoach Holdings, the

pharmaceutical supplier to 166

#### Perth-based regional bus ser-vice operator, floated in April. duction early next year of Smirnoff vodka, Malibu cocohas acquired all the issued share capital of Grimsby-Cleethornes Transport for £4.4m in

expansion In addition, a pre-acquisition dividend of £300,000, financed by Stagecoach, has been paid UniChem, the pharmaceutical distributor and chemist to the vendors. retailer, is making a recom-mended £8.9m offer for the Bradford Chemists' Alliance. **IDV** agreement with Polychem BCA is the main wholesale

> International Distillers & Vintners, the drinks arm of Grand Metropolitan, has reached agreement with Polychem, part of the Kilachand Group, to establish a joint venture company to produce, market and distribute IDV brands in India. ID India, the new company,

cent holding, will begin pro-

nut rum, Archer's schnapps and Chelsea gin, and will bot-tle Spey Royal Scotch whisky. Pelican flies

### into the US

Pelican Group, the restaurant concern, is to acquire a US cor-poration to be named Pelican USA, the assets of which comprise a 50 per cent interest in the Cafe Tu Tu Tango restaurant business, together with \$1m cash, for a consideration of \$2.08m (£1.39m).

Following completion of the deal Mr Robert Earl, who is behind the Planet Hollywood chain and is currently a nonexecutive director of Pelican. to which IDV will have a 60 perwill become an executive director of Pelican USA.

#### tish businessman, and Mr Mr Charles McDonald, who Navan seeks to re-open Bulgarian mine

By Kenneth Gooding, Mining Correspondent

Navan Resources, a email Dublin-quoted company, is to raise IE7m (£6.6m) via a placing to cover the cost of e 40 per cent stake in the Chelopecb mine in Bulgaria which the company says produced 45,000 troy ounces of gold and 8.8m lbs of copper annually during

Navan also claims that the Chelopech ore body contains 5.4m ounces of gold and is one of the largest gold resources in

The mine was closed by the kind. Navan will inject about new democratic government in £2.6m) into Bimac and directly

November 1993.

April 1991 because of unacceptably high levels of arsenic in the copper concentrate (an intermediate material) sold to the nearby smelter at Pirdop. Navan says it has been able to earn e 25 per cent interest in

the mine by demonstrating to the Bulgarian authorities that these environmental problems can be overcome. A joint venture company,

Bimac, with an authorised capital of 1bn Bulgarian lev (about £24.8m) has been established to operate the mine and associated facilities. But it will not inherit past liabilities of any

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NOTICE TO SHAREHOLDERS was resolved at the Annual General Meeting of the abareholders held in Laza

FFF-Fleming Eastern Opportunities Fund

A dividend of US\$ 0.058 per share is payable on 30 Navember 1993 to shareholdent

FFF-Fleming European Fund

A dividend of USS 0.014 [per share is payable on 30 November 1993 to shareholders of tecord at 17 November 1993. The shareh will be quoted ex-dividend as from 18 November 1993.

FFF-Plening Global Convertible Fund

of record at 17 November 1993. The shares will be quoted ex-dividend as from 18 FFF-Fleming International Bond Fund

A dividend of USS U 4143 per share is payable on 30 November 1993 to sharebolden

of record at 17 November 1993. The stares will be quoted ex-dividend as from 18 FFF-Fleming Japanese Fund A dividend of US\$ 0.2424 per share is payable on 30 November 1993 to stareholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18

FFF-Fleming United Kingdom Enterprise Fund

A divident of 00.0176 per state is payable on 30 November 1993 to stateholders of record at 17 November 1993. The shares will be quoted ex-dividend as from 18

Shareholders may elect for their dividends to be paid into their account with Robert Fleming & Co Limited, Luxembourg Branch, and subsequently be travested automatically in the subscription for further shares of the same class.

tenuest for receipt of dividends must be made to the company or to Robert Fleming &

Holders of registered shares who do not have an account with Robert Floring & Co Limited, Lavembourg Branch, will be paid by cheque at their registered address. Dividend payments to registered shareholders of less than USS 50 will be reinvested in

Krestierbank SA Luxembourgeoise, 43. Roulevard Royal, L-2955 Luxembourg, and inform the bank where the amount of the dividend is to be paid.

Co Lianted, Luxembourg Branch, in writing except in the case of bearer shareho and Japanese shareholders where destribution of dividends is automatic.

bilders of bearer shares must send the relevant coupues to

FFF-Florence Lustern Opportunities Fund coupon number 3

FFF-Florage United Kingdom Enterprise Fund coupon number 1

FFF-Fleming Livium 1 Opportunities Fund coupon number 1
FFF-Fleming International Bond Fund coupon number 2
FFF-Fleming Japaness Fund coupon number 1
FFF-Fleming Global Convertible Fund coupon number 1

By Order of The Board of Directors

A dividend of US\$ 0.1352 per share is payable on 30 November 1993 to share

cord at 17 November 1993. The shares will be quoted ex-dividend as from 18

Société d'Investissement à Capital Variable 45, que des Seillas, L-2529 Howald, Grand-Oaché de Luzo

on 17 November 1993 that the following dividends should be paid:

own 40 per cent. It has the right to take its etake to 68 per cent. The £2.6m will be used to bring the mine back into production in 1994.

#### Crossroads Oil loss

USM-quoted Crossroads Oil Group incurred a pre-tax loss of £1.52m for the 15 months to Juna 30, 1993, against a restated £297,002 profit for the previous year.

Losses per chare were 3.54p (0.8p earnings). No dividend is declared for the period, but tha board said it intended to declare a distribution in 1994.

#### 23.4m shares had been placed

To the Holders of

Series F, Class F-1 Floating Rate Bonds Due February 20, 2018

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Pursuant to the Indenture dated as of February 1, 1985 between Shearson Lehman CMO, Inc. as Issuer and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period November 20, 1993 through February 19, 1994 as determined in accordance with the applicable provisions of the Industure, b 4.0625 k per annua. Amount of interest payable is \$24.156851208 per \$10,000 principal amount.

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Notice is hereby given that the Series A Notes' Coupon No. 2 will pay a coupon amount of Yen 731,250. The rote of interest for the 'Series B Notes' Coupon No. 4 has been fixed at 2.1% and the interest payable will amount to Yen 104,417. Both Series A Notes and Series S Notes will be payable on the relevant Interest Payment Date May 20, 1994 in respect of Yen 10,000,000 nominal of the Notes. November 23, 1993, Landon
By, Citibank, N.A. (Issuer Services), Agent Bank

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The coupon N° 8 will be payable at the price of USD 1 677,50 on March 16th, 1994 representing 180 days of interest, covering the period from November 17th,

1993 to May 15th, 1994 The Reference Agent and Principal Paying Agent 盎 CREDIT LYONNAIS

terest Flor 2.44% p.s. Interest Period Greenber 22, 1983 to May 20, 1994. November 25, 1995, London By Others, N.A., (Never Services), Agest Surk

To The Holders of Banco Gentral de Costa Rica US 385,611,115 Series A Interest Claims Bonds Due May 21, 2005 US \$76,435,529 Series B interest Cleims Bonds Due May 21, 2005 HOTICE IS HEIRERY COVER, that the rate of learned from November 22, 1933 through and leading February 21, 1994 is 4,25% per annum, instruct coupon payable on February 22, 1904 will amount to \$842,84 per \$100,000 positivit from advants.

By: Bank/eneries Hadonal T as Fiscal Agent

Dated: November 22, 1993

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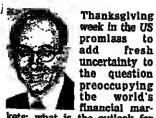
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B

# The Markets

Global Investor / Peter Martin

# World's eyes on US interest rates



kets: what is the outlook for US long-term interest rates? The New York markets will start wioding down from Wednesday lunchtime in preparation for Thursday's holiday; many peopla will stay at home on Friday, too. So the active trading week will only be two days - yet into it, the government plans to cram two bond auctions, for two-year notee

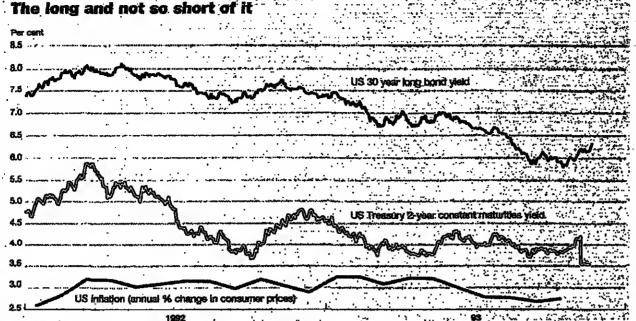
and five-year notes That means that anyone buying these issues may well be etuck with them until next week – potentially a worry in a market that demonstrated its volatility vet again on Friday. Despite this, the auctions

will probably go well; they usually do. The broader issue remains. Has the US bond mar-Brusca, of Nikko Securities in New York puts it - from a bear phase of a bull market into a true bear market?

That matters to investors regardless of where they live. A sustained move upwards in long-term US rates would indicate that bond investors fear the return of inflation, suggesting that in the not-too-distant future the Federal Reserve

would get the message, too. The realisation that both short and long-term interest rates were decisively beaded npwards in the US would dawn, unpleasantly, around the world. In the US equity markets, shares would be damaged by appearing less attractive than bonds or cash.

Overseas, equity and fixed-income markets would lose the psychological prop of a worldrates and low inflatioo. Though the economic climate would still indicate lower inter-



est rates to come in Europe, invectors would glance ner-vously at the US.

Flows of US retail investors' cash - out of deposit accounts and money funds, into equities at home and abroad - would dry up, as Americans rediscovered, the joys of interest. An end to the flows, perhaps their reversal, would be bad news for shares worldwide.

Much hangs, therefore, on the outlook for the US bond market. After Friday's further few days could be tense. in Thanksgiving week, no-one wants to be the turkey.

■ Those expressing their gratitude on Thursday will include the beads of blg American companies, for whom the fourth quarter is looking happy. One of the biggest and hest diversified US corporations recently held a meeting for its divisional bosses. Witbout exception, said someone

present, they reeled off tales of double-digit revenue growth in September. Fourth-quarter results will reflect this underlying business etrength. A shaky bond market may hurt the valuation of the stock market; hat it will do little in the sbort run to damage the improvement in earnings.

■ Rapid, aelf-snetaining growth in Asia/Pacific's industrialising economies is one of the investing community's new articles of faith. The television pictures of President Clinton at the Apec economic aummit merely confirm the worldwide eothusiasm for equities any-

where in Asia - except Japan. There's no doubt that this region will be the manufacturing heartland of the world in the coming century. There's also no doubt that the addition of e billion people to the global market economy will have pro-foundly beneficial results. some respects, the global economy in the early 21st century will look a lot like it did in the late 19th century: bumpy. A large, rapidly growing, aggressively export-oriented region will make the world grow fas-

ter, true - hut it will also pro-

vide a lot more shocks.

Look at the description last week, from Courtaulds, the UK chemicals company, of how the Chinese credit squeeze had hit revenues. "Production of acrylics and acetate tow that were previously going to China have been diverted to Europe," said Mr Sioko Huismans, Court-aulds' chief executive. Prices in Europe had suffered; and the viscose market in tha US

would soon be burt, too. China's trend growth will be rapid, hut it is unlikely to be stable. Pariods of slower growth will leave markets awash with unsold product destined for China: and above-Don't expect the process to . trend growth will push up

The growing Asian economies are still a relatively small part of world gnp. But their rapid growth and vast popula-tions will make them the world's marginal consumer. And in economics, it'e at the margins that things happen.

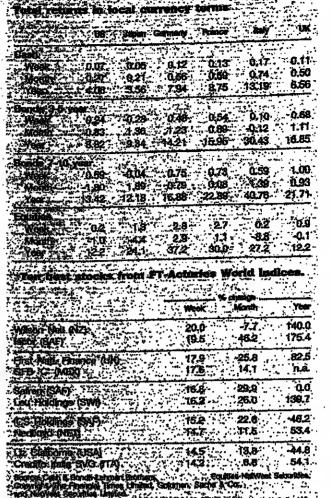
■ The flood of money into the developing markets of the Asla/Pacific regions is only partly driven by economics, of course, it's also driven hy one of the great self-reinforcing phenomena of current investing: the concept of a "normal' weighting. Global investors look at the world through the prism of one of the worldwide equity indices, such as the FT-Actuaries World Index.

If a market starts to rise rap idly against the rest of the world, its weighting in such indices will rise, because they are weighted by market capitalisation. Global investors will denly underweight in that market. It wouldn't look good at vear-end to be underweight in a market that is performing strongly; perhaps it is time to move back into line? Thus, a rally once begun is self-reinforcing, until some event occurs to reverse its course. The smaller the market, the thinner its trading and the further away it is, the more powerful

Western fund managers look down on those who still place: their faith in a stock's "momentum". Retail tovestors and the naive markets of the Asia/Pacific rim might use this technique, they say, but no one with the merest smattering of modern portfolio theory takes it seriously. Yet they have institutionalised such a concept in the name of prudence. Most recently it has led them, with splendid irony, to pour money into the pockets of Pacific rim investors. Did emehody say naïve?

The new weekly table alongside caters to the increas-ing interest in the "total the world. Total return captures both the capital apprecia-tion of a eccurity and its interest). It thus allows you to compare the return in holding your money in the money market, with that available in bonds of different maturities or equities. The table shows the total return in local currency terms on four asset classes in five countries over the past week, the past month and the

year to date. The growing interest in total returns is partly a result of the worldwide trend towards convergence of tax rates on income and capital gains. Investors are increasingly indifferent as to whether they get their profit from a stock's appreciation or its income stream, and want a measure which captures both.



Total returns are also in fashion because cheap computing power has mada them easier to calculate. Not that easy, though: a great deal of we are grateful to Mr Chris Golden of Lehman Brothers in London, for the cash and bond figures; and Mr Symon Bradford of NatWest Markets in Edinburgh, for the data on

Two events in Belgium next week - a series of demonstrations against government austerity planned hy labour unions and the meeting of the European Commission to review its draft white paper on employment and competitive-- underline a worldwide trend pointed out recently by Mr David Roche of Morgan

People are tiring of corporate restructuring and retrenchment, as witness the Canadian election, the Air France proests, recent labour unrest in Italy and Germany, and the anti-Nafta campaign in the US,

One way in which this unhappiness could manifest itself is a general swing back towards protectionism, subsidies, and government interference, potentially damaging for corporate earnings. The phras-ing of the white paper will be one indicator of the way the debate is going; so will progress in the Gatt talks. The way politicians discuss this issue will indicate how seriously they take the new public mood.

#### Economic Eye / Edward Balls

# China's gradualist strategy not a Russian option



tempting slogan for Russian politicians, as they stake out their positions in the run-up to next month's

elections. With inflation running above 1,000 per cent a year, and industrial output expected to fall a further 10 per cent thie year, the oeed for therapy is ohvious. But "shock therapy"? The Russian people may well figure that they have had more than their fair share of ehocks already.

in fact, the party of shock therapy is currently firmly in the lead in the polls. The lib-eral Russia's Choice party, led by Yegor Gaidar and backed by presideot, wants to cut subsidies to state enterprises in order to cootrol inflation and encourage the private sec-

But for supporters of groups such as the Civic Union for Stability, Falroess and Progress - hacked by Russia's industrial lobby - a more gradual approach to subsidy cuts has an obvious

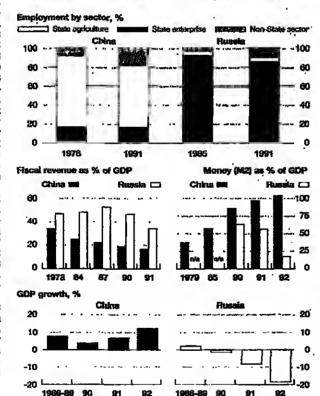
appeal.
"Gradualism" also has an impressive pedigree. China, which began its transition from central planning back in 1978, has avoided shocks like the plague, while eschewing rapid cuts in subsidies to inefficient state enterprises or mass privatisation. Instead, the Chinese leader-

ship has coocentrated reform first on agriculture and rural enterprise, while cautiously experimenting with liberalisation in selected pro-

And this "gradualist" strategy has worked. The Chinese economy has grown by a dra-matic 6 per cent plus since 1978, doubling its share of world trade.

Compared with Russia, It remains a poor country. Rus-sia's average income per head in 1991 was \$3,220 compared with a mere \$370 in China. But the contrast between the drab streets and decaying industry of Moscow, St Petersburg or Volgograd, and the dynamism of the shining industrial development zooes that surround Tianjin, Shang-

"Therapy with-out shock" is a Tracking the transition from plan to market



hai or Guaogzbou, suggests that these simple dollar income comparisons tell only a small part of a much larger develop-

ment etory. from plan to market, encouragin state output and employ-

Sadly, the analogy does not work, as Harvard professor and Russian adviser Jeffrey Sachs argues in a forthcoming Economic Policy paper, written with Wing Thye Wco.

Tha reason is that Russla and China started the transitioo to a market economy at very different stages of economic development, in China in 1978, the hulk of the population worked in collectivised, but unsubsidised agriculture state enterprises employed less

rural population and allowed

surplus peasant workers to

move to the rural iodustrial

The potential losers from

cuts in subsidies to unviable

state enterprises are a dwind-ling minority, while the will-

ingness of the population to

balances has allowed the gov

ernment to pay monetary cred-

its to industry without fuelling

China has not escaped infla-

tionary problams. But its infla-

tion has resulted not from the

need to subsidise tha old, but

because the growth of new

enternrise has run ahead

of the ahility of physical

infrastructure and economic

institutione to support it.

inflation.

crease its holding of money

than 20 per cent of the popula-Liberalisation of agriculture, and the consequent rapid (not gradual) rise io productivity, meant substantial gains to the

How tempting, then, to see China as a role model for Russian reform: a relatively pain-less way to make the transition ing the non-state sector and foreign investment but without requiring immediate cuts dustrialised - only 6 per cent

enterprises are much larger than in China, while industry is more regionally concentrated, making closure of non-viable plants more diffi-But Russia is also over-in-

of the population works in agriculture, compared with 93 per ceot in state enterprises. The constituency which stands to lose, in the ehort-term, from cuts in eubsidies is therefore much greater. Meanwhile, as confidence in

Cbina on the structural

For Russia, this Chinese "gradualism" is not an option.

Russia's highly centralised

planning means that state

the currency has dwindled, the government'e resort to the printing press has meant accel-erating inflation. This Russian inflation is not

a product of overly rapid development hut of the governsidise the past at the expense of progress. Until these Industrial subsidies are cut, the bias against the non-state sector and very high inflation will cootinue to impede growth of the non-state sectors.

Indeed, a gradual approach to cutting state subsidies risks being the worst of both worlds it hurts the state employees, while providing little incentive for state employees to move into the service or private sectors. Hence, the importance the IMF attaches to linking aid to cuts in inflationary industrial Of course, Russia's transition

to democracy makes the short-term task of cutting subsidies even harder, a prohlam that Chioa has never had to face - wbicb explains why the IMF has bean criticised, both by Russia's reformers and western economists, for being much too cautious in offering this financial support, most recently by Mr Sachs in today's FT Letter's column. But, in the debate between advocates of "gradualism" and rapid dlainflation, Mr Sachs This announcement appears as a matter of record only



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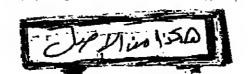
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November 1993



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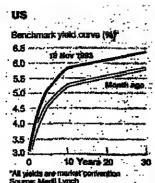
#### WORLD BOND MARKETS: This Week

Already reeling because of a string of recent encouraging economic statistics. US bond prices are likely to come under renewed pressure this week from more economic data and

an influx of new supply. The only good news for fixed-income investors is the Thanksgiving holiday, which will shut the market on Thursday and close it early on Friday, at 1pm. They may also be cheered by Monday's release of the latest Federal budget deficit figure, which is expected to show a slight shrinkage in the deficit.

Otherwise, the only notable data due is the October durable goods orders report on Wednesday. After September's slight 0.7 per cent rise in durable goods orders, Wall Street is looking for a bigger

With sentiment so gloomy, traders are not looking forward to this week's Treasury euctions, which will add supply to the market at a time



Patrick Harverson

Today, the Treasury will sell \$17bn in two-year notes (the largest such issue in history), and on Wednesday it will sell \$11bn in five-year notes.

If Friday's fall in prices is carried through into the early part of this week, institutional investors could fear further declines and stay away from the auctions, pushing yields even higher. Thursday's holiday may not come a moment too soon for the bond

## LONDON

Activity in the UK government bond market is likely to be subdued this week as investors wait to see whether Mr Kenneth Clarke, the chancellor, will cut interest rates at or around the time of the Budget on

November 30. The market is fired-up for a base rate cut following last week's encouraging economic data, in particular the small rise in inflation. This has provided Mr Clarke

with a good excuse for easing monetary policy, should he need to sweeten the tax increases which are widely expected to be announced in the Budget. A good M3 figure in

Germany today, and cost of living later this week, may tilt expectations even more firmly behind a UK base rate cut, as markets gear up for a drop in Germany's lending rates. There are few economic data to influence opinion in the UK this week, although on Friday the CBI produces its monthly

# Benchmark yield curve (%)

Emma Tucker

survey of manufacturing

Last week, the drop in retail price inflation from 1.8 per cent in September to 1A per cent in October pushed gilts up about a point.

0 6 Years 2 25

Since then the market has drifted down by about 5 basis points, but it is likely to remain well supported this week, against a background of low inflation and the strong expectations for a further easing of base rates.

#### FRANKFURT

The Bundesbank policy-making council meets only twice more this year, on December 2 and December 15. With long bund yields close to a historical low, at 5.85 per cent on Friday, the market is clearly anticipating further decisive rate cuts at one or other of these meetings.

The failure to deliver more

than a fractional reduction in the securities repurchase rate after last Thursday's council meeting did nothing to unsettle the optimism. Money supply date published today and inflation figures for four states later this week will be closely scruttnised to see whether the optimism is justified.

The market expects growth in October M3 of 6.3 to 6.7 per cent on an annualised. seasonally adjusted basis, compared with the Bundesbank's target of 4.5 to 6.5 per cent for the year. Inflation data from Baden-Württemberg. North-Rhine Westphalia, Hesse

# Garmany Senetunerk yerkt curve (%)

David Waller

to be positive.
Two factors weigh against the optimism. First is the want to disappoint them.

and Bavaria are also likely

Bundesbank's love of surprise: everybody is taking a rate cut for granted, so it is likely to Second is the influence of the US bond market: investors are becoming wary of the: possibility of US interest rate rises. This has unsettled US bond prices and could spill over into the bund market.

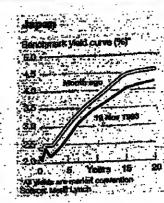
#### TOKYO

bond market is likely to move in a narrow range this week, with investors focusing on. evidence of further economic. weakening and the size of a prospective income tax cut. Investors have become wary of the recent fall in the yield on the No 145 10 year benchmark, to below the 3.5 per cent level. An increasing

number last week tried to evert the risk of profit-taking by buying put options, or contracts glying the holder the "right to sell". However, increasing essimism over an economic

recovery is likely to support lower interest rates. One concern for bond investors is the size of the income tax cut, which Mr Morihiro Hosokawa, the prime minister, pledged over the weekend. The tax advisory committee to the government last week proposed an income tax cut funded by an increase

in consumption taxes. But the



Emiko Terazono

implement an early tax cut to boost the faltering economy. financed by government bonds, until consumption tax is

increased. Traders believe a tax cut of Y5,000bn to Y6,000bn one year ahead of any consumption tax hike will be unlikely to affect supply and demand but a cut over Y10,000hn, two to three years abead of a consumption tax increase will be bad news for the bond

#### Capital & Credit / Sara Webb

# Bank may bow to Gemms on repos

One by one, the various gilt-edged market makers (or Getnms) have been called in to see the Bank of England in recent weeks and invited to give their views on whether the UK should have a fullyfledged bond lending or repurchase (repo) system.

Two years ago, such an approach by the Bank would have seemed inconceivable. It was widely felt by the securities bouses, especially those with active repo desks in other government bonds, that the Bank had a strong aversion to an open repo market.

Yet in the space of two years, the pressure has built up for an open repo market and the Bank's willingness to listen to Gemms' views on the pros and cons of such a system suggests it is genuinely open-minded on this matter. Those who have told the Bank their views believe that an open repo market is inevitable: it is simply a question of time and the determination to overcome certain obstacles.

repo market and implications for the taxation of dividends. Gemms have enjoyed a privileged position for several years. Because of their requirement to make two-way prices under all market conditions, they need to be able to borrow gilt-edged stock to complete their sales. This they do

through Stock Exchange Money Brokers, specialist intermediaries who borrow the gilts from approved lenders, such as large institutions. Increasingly, market participants have argued that the Gemms' privilege should be extended to others; through repos, bolders of gilts would be able to sell them for cash for an agreed period of time, at the

end of which they would buy them back at an agreed price. Such arrangements exist for US. French and German government bonds, and there are many investors and securities houses who would like to see a similar arrangement for UK government debt.

Those in favour of an open

would be several advantages. Even with the axisting arrangements, Gemms do sometimes face a shortage of certain kinds of stock. "Sometimes you want to borrow stock as a Gemm so you can go short, and it's hard to get anything other than benchmark issues, complains a dealer at one leading UK house, adding that an open repo system would improve gilt market

With an open repo system,

that an open repo system

overseas investors - who are significant holders of UK government bonds - would be encouraged to lend out their stock to enhance the return on their portfolios. The pro-repo camp argua

of investors into the market. For example, an investor who wants to buy gilts could finance his gilt purchases more cheaply by using the bonds as collateral and borrowing gainst them. One Gemm calculates that

reduce his horrowing cost quite considerably: he might, for example, pay 50 hasis points over Labor to finance his position unsecured, but could reduce it to 10-15 basis points over Libor on a secured basis.

Those who are in favour of having a repo market argue that the mability to "repo out" stock has deterred many investors, particularly those in the US who are accustomed to the freedom to "repo-out" their US treasury bond holdings. If these investors could be

wooed into the gilt market by the presence of a repo facility, they argue, it would encourage more investors to participate in the market, which in turn would mean lower horzowing costs for the government. Not everyone agrees on this

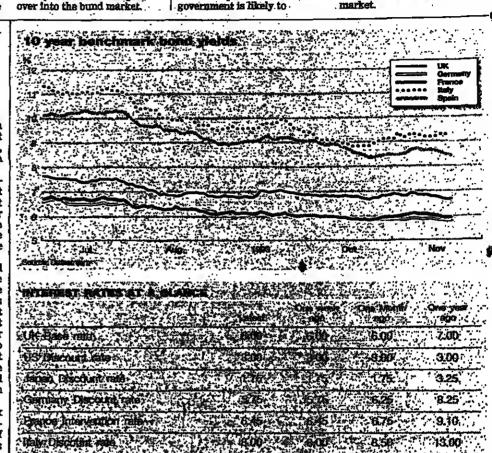
point. It is not entirely clear which investors have steered clear of gilts for this reason, given that the gilt market has shown a considerable rally over the last two years and produced bumper returns for

the advantages of creating a deeper and more liquid market through an open repo system there are obstacles which

would need to be overcome. Even its most ardent propo nents will admit in private that and have ecquired a rather "spivvy" reputation, thanks to Drysdale case in the US in the early 1980s.

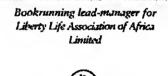
Clearly, the Bank would want to be satisfied that the market was not open to abuse or disruptive behaviour. This raises the question of how best regulate the market (whether through legislation or a code of conduct), and how to ensure that stock is not lent out several times over (in the latter case, the solution would be to simply place stock with an agreed third party).

"The reguletory and tax problems are not insurmountable: it's more a question of whether the Bank really wants to relinquish its hold over the secondary market in gilts. claims one gilts specialist.



This announcement appears as a matter of record only

# Leaders in M&A and Equity Financings for South African Companies





Liberty Life raised US\$134 million in its curo-equity offering ##CTACRARIAN | PROPERTY | PROPERT Bookrunning lead-manager for



raised US\$236 million in its international equity offering June 1992

# Financial adviser to Royal Corporation Limited

Del Monte Foods International Limited has been acquired by Royal Foods Limited for £345 million December 1992 

Sappi MINING WINE PROPERTY OF THE PR

Financial adviser to Anglo American Corporation of South Africa Limited

Anglo American Corporation transferred the major part of its international assets to Minorco Société Anonyme for US\$1.4 billion September 1993 

### S.G.WARBURG

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International / Antonia Sharpe

# Germany considers long-dated sector

successful DM2bn offering of 30-year Eurobonds last week, which prompted a flood of long-dated issuance by six German states, has raised the posernment could follow suit.

There is clearly strong demand for long-dated D-Mark bonds, especially outside Germany. International interest was such that Austria's issue was increased on Friday by DM500m from DML5bn. Excluding Austriz's offering, just over DM3bn worth of

bonds with maturities of more than 10 years emerged last week, through a combination of 30-year bonds and 20-year bonds puttable after 10 years. The sudden rush of longdated paper and a perception that some issues were too tightly priced has resulted in this new market reaching saturation point sooner than many syndicate managers had hoped. However, they are confident the overhang of paper will be absorbed fairly quickly, which will enable other highly-rated borrowers to raise long-term financing at the current low interest rates. -Deutsche Bundsspost, Germany's post office which set up

a DM2bn medium-term note ted to raise DM500m via a 30year bond issue this week.

The bonds are likely to be priced to yield around 70 basis points over 10-year German government bonds (bunds). The pricing of 30-year D-Mark science due to the lack of benchmarks beyond 10 years. The yield spread on Austria's

bonds was calculated by using the yield differential between 10-year and 30-year Dutch and French government bonds, a mechanism devised by JP Morgan when it arranged a DM1.5bn offering of 15-year Eurobonds for LKB Baden-Württsmbsrg Finance in August, the first offering with this maturity in the D-Mark

So long as there is no 30-year bund, Austria's offering will be seen as the benchmark against



which future issues will be

priced. Syndicate managers hope it will not be long before the German government does so, since this would provide the liquidity and credibility which most

investors require. The German government does have experience in this area. In 1986, Germany's low inflation rate prompted the

They became illiquid as a change in market conditions dissuaded the government from issuing more long-dated paper and concentrate instead The German finance minis-try has declined to comment

on whether the government will resume its issuance of bunds with maturities of more

than 10 years. The government is thought to be seriously considering the option but is put off by two main factors: uncertainty about how well the market could absorb large issues of 30year bunds (a bund issue totals around DM10bn these days) and the lack of a relevant

fotures contract. Nevertheless, the desire to conform could well encourage the German government to overlook these problems.

Italy has become the latest European sovereign borrower to issue 30-year debt and Spain will make its first issue of 15government to issue two year bonds in the domestic DM1bn offerings of 30-year market in December.

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#### **EQUITY MARKETS:** This Week

Terry Byland

### Bank shares may suffer further fall

**NEW YORK** 

Although this will be o holiday-shortened week (the markets are shut oo Thursday for Thanksgiving and will close at 1pm on Friday), investors and traders should have plenty to chew on over the next few days.

October durable goods data, due out on Wednesday, are expected to provide further evidence that economic activity is picking up. But the stock markets may oot find much cheer in the numbers if, as in the past few weeks, the news unsettles inflation sensitive bond investors and pushes long-term interest rates

The steady rise in rates has put the brake on the long rally in bank stocks. One of the reasons the Federal Reserve cut interest rates between 1990 and 1992 was to bail out the ailing banking industry by providing banks with huge interest margins.

The rate cuts had the desired effect, hut now, with rates rising, banks will have to wean themselves off their fat margins. Their earnings impressive recently, will undoubtedly suffer as a result. Bank stocks, which stumbled last week, could fall further before the week is over.

There is little corporate news due out, although the takeover battle for Paramount Communications will enter a new phase with the offers of rival bidders Viacom and QVC Network both due to expire this week. Investors will also be keeping an eye on airline stocks in the light of the flight ettendants strike at American Airlines, which unions plan to extend into the busy Thanksgiving weekend – traditionally, the busiest travel period

# Dow Jones Industrial Amerage

Patrick Harverson

12 Stocks traded on the Nasdaq market are looking vulnerable at the moment. Nasdaq lists a lot of smaller-capitalised, growth-oriented

Nov 1993.

companies, many in the technology, communications and healthcare Their shares performed well when the economy was seen to be struggling, because investors liked their potential for earnings growth, but in recent months they have

lagged the broader market. Last week, while the Dow Jones Industrial Average and the Standard & Poor's 500 index held their own near record highs, the Nasdaq composite fell 3.56 per cent, and its performance over the year now lags

With ecocomic growth picking up pace, the tide of investment sentimeot may be moving decisively against small-cap stocks in favour of the giants of the Dow and S&P. Finally, the market for initial public offerings is worth watching. Over the past fortnight the IPO market has seen a couple of hig successes - most notably, the flotations of the restaurant chain Boston Chicken and the clothing retailer Talbots. Both benefited from hype and heavy speculative buying, leading some observers to warn that the IPO market (and with it the secondary market) may be in danger of

#### LONDON

#### Hopes of recovery face test

The focus of attention on the London stock market will swing back towards the corporate front this week as the pre-Budget equity account draws to a close and US markets close down for Thanksgiving Day.

Company results have yet to produce the signs of business recovery the stock market has been seeking throughout this year. But this week could prove a turning point.

The City's - and Downing Street's - hopes for a consumer-led economic recovery will be put to the test when Allied-Lyons, Northern Foods, Kwik Save and Tate & Lyle deliver their latest trading figures.

Overhanging the brewery and food sectors is the threat of changes in VAT or excise duties in the Budget which Mr Kenneth Clarke will deliver only days after the companies report profits, and just before the Christmas

Northern Foods, high quality, domestically orientated and an important supplier to Marks & Spencer and other high street leaders, has paid the penalty for these characteristics by underperforming the stock market in the past 12 months. Any good news from Northern Foods will be welcome but the market is not enthusiastic, aiming for a rise of under 7 per cent to around £73m pre-tax.
From Allied-Lyons, e dull statement

seems to be the best hope. The group is perceived as facing e tough business environment, retail margin pressures and nervousness over Mr Clarke's intentions for drink taxes. But a straw in the wind may have been Whithread's revelation last week that pub food was the prime boost

to its profits expansion. The market's

response to Allied-Lyons' statement

FT A All-State Index 12 - Nov 1988

> will set the pace for Grand Metropolitan, Guinness and the other leaders of the sector.

Tate and Lyle, the world'e largest sugar company and e big player in the US, will offer valuable evidence on the progress of economic recovery across the Atlantic. UK investors might be behind the times here, since the shares were hadly hit by a fairly cautious trading statement from the board last September. Market expectations of full-year profits are tightly bunched around £220m.

Analysts are looking for £125m -2128m from Kwik Save, the discount supermarket group. The shares have underperformed even the badly mauled food retailing sector recently, caught between price cutting initiatives of the leading chains and the exposure given to the new discounting groups. Analysts will he focusing on the growth in like-for-like sales and margins.

Prospective ple ratio The latest prospective p/e ratio for the "500" index for calendar 1993 is 16.0 according to IBES, the consensus estimates service (last week: 16.1). This compares with an IBES (20.7) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings,

#### OTHER MARKETS

#### TOKYO

Technical selling is feared in equities: after the downward break through 18,000 in the Nikkei-225 on Friday. Dealer support is expected to be limited by the Lahour Thanksgiving holiday tomorrow and shead of interim earnings from the banking sector on Thursday and Friday...

#### FRANKFURT

Autumn press conferences approach a nervous market from BASF on Monday, and Bayer on Thursday. Twelve days ago the third of the "Big Three" German chemical companies, Hoechst, saw profits down 40 per cent after nine months and a worse performance in the September. quarter. Wednesday and Thursday bring conferences at . Metallgesellschaft and Commerzhank with hopes of e dividend rise at the

#### **PARIS**

After rising French consumer expenditure in September, and in the third quarter of 1993, James Capel expects e decline of 6.8 per cent in October as an increase in social . security contributions depresses disposable income.

#### ZURICH

November CPI figures for Basic and Geneva are due this week. Smith New Court expect falling Swiss rents will help to depress the indices to around 2.5 per cent from the 3.4 per cent recorded in October, providing further evidence of the improvement in the domestic economy.

A raft of press conferences include ABB and Merck on Tuesday, Nestle is expected to give sales forecasts. and Alussuise nine-month sales figures, at their autumn news conferences on Wednesday.

#### STOCKHOLM

Nine-month results from the ABB Asea Brown Boveri, Swedish/Swiss engineering combine are expected in Sweden and in Switzerland. Analysis expect ABB to report a slightly lower profit for the period, while forecasts for the full year remain reasonably positive, particularly in light of the econom situation prevailing in Europe.

#### RISK AND REWARD

## Charging the right price for futures fund performance



promise high returns. On the basis of those returns futures fund managers. charge fees which dwarf charges in most

other areas of the fund man-But are these fees really justified? A growing number of observers, and even some managers within the industry, think not. Certainly, the high level of fees has had a negative impact on the growth of the futures fund industry, by discouraging institutions from investing in such funds. Most investors are high net worth individuals, who may not look too closely at fees so long as returns are attractive. However, when their fund's perfor-

mance is disappointing, fees frequently become an issue. Standard fees for futures funds are 2 to 4 per cent for management, with performance fees of 15 to 25 per cent. The performance fees are charged on any profits, so even a return which only equals Treasury bill rates is stripped

of this fee. "There are very few futures fund managers who consistently produce excellent returns for investors," said Ms Nicola Meaden of Tass Management, which tracks futures funds' performance. "[Those who do] have a strong case for justifying those levels, but for

the industry as a whole I believe the fees are too high." The timing of performance fees also causes some frustra-tion. Some managers take fees every month, while others wait until the end of the year. The former, though, can earn performance fees even if their fund ends down on the year. Most futures funds are multimanager funds - that is, an overall manager divides assets between a groop of futures fund managers, known in the

jargon as CTAs or commodity

trading advisers. If there are

Investors huy make a profit, performance fees have to be paid to them because they even though the fund is down overall. However, some futures fund managers do not pass this charge on to investors.

So are there any signs of change? Fees have come down slightly in the past few years. and there is increasing pressure from the hedge fund market, where management fees are about 1-2 per cent. Hedge funds have performed well this year and are proving more successful in attracting institu-

Futures funds have also had e good year. According To Tass, the average return for the year to the end of October was 15.37 per cent. But there is a large range in performance, with some funds down as much as 50 per cent and others up as much as 100 per cent. "We only deserve to get paid if we perform," said Mr Robin

Edwards, e managing director of Sabre Fund Management, whose funds are un some 20 per cent in the year to end-September. "There are people who don't perform. They don't last in the business He also points out that unit

trusts in the UK charge relatively high fees (around 5 per cent up front, with a 1-1% per cent annual management charge) often for doing no more than tracking an index. · If futures fund managers are serious about wanting to

attract more institutional money, they will need to address the issue of fees. "I don't see why anyone should be paid a performance fee if their performance is paltry," says Mr David Moore, a director of Credit Lyonnais Rouse, which appoints external manage for its funds. "It would

make sense if there were a threshold - such as the T-bill rate - below which there would be no performance fee." Given that investors are taking a far greater risk by investing in futures funds than hy putting their money in US Treasury bills, this only seems

six trading advisers and two .... Tracy Corrigan

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London, 29 November- 1 December 1993

Venture Forum Europe '93, arranged by Venture Economics and the Financial Times, will provide a unique opportunity to meet those involved in raising capital, negotiating deals and building the businesses of the future.

#### Speakers include:

Lionel T Anthony Causeway Capital Limited

Jay T Applegate Benedetto, Gartland & Greene, Inc.

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Gilles Cahen-Salvador LBO France

Ronald Cohen Apax Partners & Co Ltd

Dr Neil Cross

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Dr Evert A M Elbertse **Dutch Venture Capital** Association (NVP)

Michiel A de Haan Atlas Venture

Association

**Dr Richard Hargreaves** Baronsmead plc

Ron Hollidge Lloyds Development Capital Limited **British Venture Capital** 

Waldemar Jantz TVM Techno Venture Management GmbH & Co KG

Barbara B Lynch Cambridge Associates UK Limited

Dr Jos Peeters Capricorn Venture Partners NV

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#### **LEGAL NOTICES**

MA ABSECT OF LIFE IN THE HIGH COURT OF JUSTICE CHANCIES PRYSSON IN THE HIGH COURT OF JUSTICN IN THE HIGH COURTANY LIMITED

EN THE MATTER OF THE Company") to be convened for the purpose of considering and, if though Et, squeezing (with or without modification) a Schoot of Assengement proposed to be read: between the Company and the Schools Creditors and that such Meeting will be bad at Olaziera Hall, 9 Meantaged Close, London Bridge, London SE1 9DO, Bagfund on ry 1994 at 2.00

Explanatory Statement required to be furnished personnel to Section 456 of the show-insectioned Act, and Forms of Proxy from the Company at Trialty House, Resecti Street, Génecator, GLI ISU, England (Tetaphonec 4952-25897) or Price Waterhouse, 200 East Estadoph Street, Chicago, Historie 69601, USA (Tetaphonec 202 Cat Cat Chicago, Historie 69601, USA (Tetaphonec 202 See 1) or Price Waterhouse, 200 East, Estadoph Street, Chicago, Historie 69601, USA (Tetaphonec 202 See 2) during must braincas latent on say day (other than a Saturday, Sunday or a public latifilary) price to the

princy in intend and vote in their stead.

It is requested that forms appointing pendes be, leading with the Joint Provisional Liquidistors, Bryanton Insurance Complexy Lichted, PO Buz 102, Givectorie, CLI 171, Ingland and Ins. ser. 102. 30.1267 year low than 48 loose before the fina appointed for the said Meeting but the than appointed for the said Meeting to the forms are not so ledged frey may be impedied to the Chaleston at the said Meeting. A fixed capy of the form well the accepted saidject to receipt of the original while I 4 days of the smoothings.

By the said Order the Court has appointed Richard Clamb Blys-Steams or falling like Coffe Graham Blyd 10 act in Chelmans of the said Meeting and has directed the Chelmans to report the results thereof to the Court.

The said Scheme of Aramgement will be subject to the subsequent approval of the High Court of Soutios. DATED dis I ich day of November 1993

IN THE MATTER OF ANDREW WEER INSURANCE CO LTD

IN THE MATTER OF THE CONTANTES ACT 1985 THE COMPANIES ACT 1985
NOTICE IS HERRENY (SIVIN) that by so Onler depot fire: 20th day of October 1973 made in the above, matter the Count has discussed a Meeting of the Scheme Octobers (as defined in the Scheme Of Arrangement herefashler treatment) of the between Octobers (see defined in the Scheme Of Arrangement herefashler treatment) of the between Octobers (see Scheme) of the Scheme Octobers (see Scheme Octobers) of the Scheme Octobers (see Scheme Octobers (see Scheme Octobers) of the Scheme Octobers (see Scheme Octobers) of the Scheme Octobers (see Scheme Octobers (see Scheme Octobers) of the Scheme Octobers (see Sche

**ART GALLERIES** 

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("Aegis Finance") Registered Office: Polarisweg 35, Curação, Netherlands Antilles

To holders of

9.75 per cent. Guaranteed Redeemable Convertible Preference Shares 2004 ("Shares B")

In accordance with Article 8(1) of the Articles of Incorporation of Aegis Finance the Managing Directors of Aegis Finance give notice to holders of Shares B that the Shares B Redemption Date is 22nd November, 1993.

Aegis (Netherlands Antilfes) Finance N.V.

22nd November, 1993

International Stock Exchange of the United K Ireland (the "London Stock Exchange"). Application has been made to the Landon Stock Exchange for the Warrants to be admitted to the Official Lbt. If is expected that dealings in the Warrants will commence on 26th November, 1993.

GREYFRIARS INVESTMENT COMPANY PLC

PROPOSED ISSUE OF WARRANTS

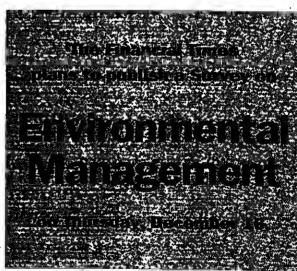
SHARE CAPITAL -

WARRANTS The Warrants are being issued by way of boous issue to holders of Ordinary Shares on the register on 12th November, 1993 on the basis of one Warrant for every 5 Ordinary Shares held. Each Warrant entitles the bolder to subscribe for one Ordinary Share at 30p in each of the years 1906 to 1908 include.

Copies of the listing particulars relating to the issue of the Warrants may be obtained during normal business hours until 24th November, 1993 by collection from the Computy Announcements Office, the London Stock Exchange, Copel Court Entrance, off Bartholomew Lane, London I:C2N

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#### **EMERGING MARKETS:** This week

The Emerging Investor/ Stephen Fidler

# Primary beneficiaries of the passage of Nafta

The passage of the North stock and bond markets turn-American Free Trade Agreement may not herald a Latin American stock market boom, but it sure helped avoid a bust. A collapse of the agreement would have battered the Mexican stock market and the other Latin American markets would have suffered in its wake.

Worse, for longer-term market prospects, it would have threatened the Mexican government's economic strategy. Many economists believed cap ital outflows from Mexico after Nafta's demise would have made a devaluation difficult to

A Mexican devaluation would have worried holders of the Argentine peso, whose parity with the US dollar is the bedrock of Argentina's anti-inflation strategy. Economic problems would probably have engulfed Latin America's second economy - Mexico - and its third - Argentina.

The largest economy – Brazil – meanwhile, is so preoccupied with domestic, political and economic difficulties that Nafta's failure would hardly have registered. The Brazilian market rallied last week, not because of Nafta, but because many Brazilians see it as the best place to hold capital in the face of the shock economic programme they now view as likely.

Of course, Nafta guarantees nothing. As investors were reminded on Friday as the US

bled continued flows of capital from the US into Latin American markets depend to a large part on investors avoiding panic at home.

Nonetheless, its passage con-tinues to provide a reason for institutional investors to look to the region to boost returns. For Latin American economies. the major consequenca of Nafta is probably the boost it gives to the Uruguay round of multilateral trade negotiations But says Ms Tamzin Hobday. Latin Amarican strategist at Baring Securities in New York: From the market perspective, the important issue is that it provides support for the kind of economic model Letin American economies have been fol-

lt should reinforce incentives, she and others suggest, for Latin governments to continue to pursue free trade and market-oriented economic policles. Yet in stock market terms, the impact of Nafta's passage will be far from equal across the hemisphere.

Most observers believe that two markets, other than Mexico's, will be the primary beneficiaries: Argentina and Chile. More peripheral markets auch as Colombia and Peru may also benefit, some reckon. But most analysts think Vanezuela or Brazil have little to gain, and Brazil might even be

Chile and Argentina have

been identified by US officials, in that order, as the next candidates to join Nafta, and both governments are clearly interested in the prospect. These two countries are most like Mexico in terms of economic policy, and have inflation more or less under control. In trade terms, both have much less to gain from Nafta than Mexico. Only about 14 per cent of Argentina's exports go to the US, and 17 per cent of Chile's, compared with 73 per cent of

Mexico's and 23 per cent of

Brazil's. Yet the reduced risk

of a reversal of economic strat-

egy with Nafta on the cards is

viewed by analysts as defi-

nitely balping flows to the

stock market. Mr Geoffrey Dennis, head of amarging markets aquity research at Bear Stearns in New York, sees the price to earnings multiple of the Buenos Aires market falling from 18 this year to 14 next. The benefits of corporate restructurings brought about by the country's economic pro-gramme should begin to flow through to earnings in 1994, he

In the Chilean market, the average p/e should alip from 17 to 14. Mexico's current p/e is about 14.5, but could rise with a market rally to 16.5 by the year end, Mr Dennis says.

On the other side of the coin, Vanezuela is so wrapped up with domestic preoccupations that it is unlikely to benefit

	BARING	SEÇURITI	ES ÉMER	GING MARI	ŒTS INDK	CES	1112
Index	Friday's Value	Week on week Actual	movement Percent	Month on mont	h movement Percent	Year to date Actual	movement Percent
World	135:53	+2.34	+1.78	+9.20	+7.26	+34,47	+34.11
Latin America		•					
Argentina	102.27	-3,84	-8.61	+11.82	+13.07 .	+28.01	+37,72
Brazil ·	122.23	+9.17	+8.11	-12.26	9.12	+44.32	+56.89
Chile	124.51	-2.08	-1.65	+4.74	+3.96	+13.22	+11.88
Mexico	124,58	-2.04	-1.61	+7.91	+6.78	+6.84	+5.81
Latin America	122.17	+0.52	+0.42	+3.58	+3.02	+21.81	+21.73
Europe							
Greece	81:31	-0.98	-1.19	-1.52	-1.83	+11.15	· - #15.90
Portugal	112.01	-0.50	-0.45	+3.79	+3.51	+28.01 -	+33.34
Turkey	121.33	-0.34	-0.28	-13.26	-9.85	+64.47	+125,25
Europe	102.79	-0.56	-0.56	-2.78	-2.63	+32.67	+46.60
Asia			•				
Indonesia	141.37	-1.03	-1.03	+1.55	+1.11	+43.92	+45.08
Korea	88.00	-0.38	-0.38	+1.33	+1.54	-0.61	-0.69
Majaysia.	206.50	+1.61	+1.61	+21.69	+11.73	+77.47	+60.04
Phillippines	224.32	+7.64	+7.64	+43.60	+24.13	+101.86	+83.17
Thelland	203.71	+11.40	+11.40	+62.55	+34.78	+81.45	+66.62
Talwan	98.71	+7.36	+7.36	+12.25	+14.17	+22.76	+29.96
Asia	170.45	+3.88	+8.88	+22.45	+15.17	+57.86	+51.39
				<u> </u>	<del></del>	Source: Ba	inge Securities

Теп	best	performing	stock

Stock	Constry	cione	\$ .	*
Alarko Holding	Turkey	1.0815	+0.24	+27.90
Teletas	Turkey	1.009	+0.20	+24.80
Polysindo Eka Perkasa	Indonesia	2.8561	+0.54	+23.49
Grupo Financiaro Bancomer	Mexico	1.7926	+0.30	+20.31
Ctfra (B)	Mexico	2.8809	+0.46	+19.18
Eregii Demir Ve Celik	Turkey	0.3929	+0.05	+16.17
Yape Ve Kredi Bankesi	Turkey	0.3749	+0.05	+15.88
Int.Container Term.Serv.	Phil.	1.4085	+0.19	+15.62
Grupo Finciero Banamex-Acciva	Mexico	6.9622	+0.87	+14.33
Banco Francesw	Argentina	10.9703	+1.36	+14.13

much, even though US officials consistently suggest it could follow Chile and Argentina into the agreement

With two military coup attempts last year and presi-dential impeachment proceed-ings this year, Venezuela faces presidential, congressional and municipal elections on December 5. A populist is leading in most published opinion polls, and even if he does not win,

the new Venezuela Congress is likely to be fragmented and ill-disposed to economic reform.

As for Brazil, it may be the one large economy in that region that will suffer from the passage of Nafta, since its mix of export products is very similar to Mexico's. "Mexico'a tariff-free access to this important market cannot be good for Bra-zil," says Mr Stephen Rose of the London-based Stephen

ted to remain nervous ab local elections this week

Rose & Partners, a broker specialising in the Argentine and

Brazīlian markets. Both politically and economically, Brazil seems the last in line to accede to Nafta. Politicians and bureancrats in Brasilia are absorbed in the country's domestic turmoil. When they think about it, they are suspicious of Nafta, reckon-ing the North Americans uld stick to North America.

- rushed The market has been weakening ahead of the public effering in Bank Stack.

• Lebanon: The Bank of Lebanoa is alming to revive the country's shettered financial markets, and hopes to raise \$30be through domestic and foreign investment.

shares at Bt55 a share, making it Thailand's biggest public offering, valued at Bt12.3bn. The offer period for the telecommunications group will take place this week with the shares due to be listed by mid-December. Half the shares will be offered to That investors and half to overseas institutions. The company will have the market's second higgest capitalisation, following Bangkok Bank.

#### Moscow

Russia'a biggest single oil producer is being offered for sale to domestic investors via a public auction. Surgutneftegaz, a Siberian company, is offering 12.05 per cent of its shares, but. foreigners are not permitted to subscribe. They will, however, be able to invest up to 15 per cent in parent group Yukos when that is float in due course although no date

#### Bratislava Daily trading and weekly. auctions in the country's over-the-counter market are

list of the world's emerging markets could come about later next year after tha government here said that if there was enough interest from brokers and dealers a stock exchange could become operational.

#### Currencies

# Possible renewed pressure on D-Mark

After weakening early last week on a larger-than-expected drop in the German repo rate, the D-Mark won a reprieve late in the week on Bundesbank signals that it will not accelerate the pace of monetary easing. writes Conner Middelmann. However, this week's German inflation and monay- supply data could exert renewed pressure on the D-Mark by fuelling more talk of near-term rate

"As the Bundesbank continues easing short-term rates, we expect the US to firm against the D-Mark," said Mr Thorsten Neufeld, economist at DB Research, Deutsche Bank's research subsidiary in Frankfurt,

Germany's two-week repo rate fell by nine basis points to 6.29 per cent last Tuesday, prompting talk that the Bundesbank was shifting into a more aggressive easing gear to reviva the flagging economy. Two days later the Bundesbank announced a fixed-rate repo at 6.25 per cent, indicating that whila it continues to loosen its mone-

However, October M3 money supply expected to come in around the top of the Bundesbank's 4.5 per cent to 6.5 per cent target range - and November inflation, expected to have slowed to about 3.7 per cent year-on-year from 3.9 per cent in October, may revive easing speculation.

Amid the accelerating recovery in the US economy and OECD calls for increases in the rate there, this means the D-Mark is set to weaken further

tary reins, it will only do so very against the US dollar. Mr Chris gradually. Turner, currency strategist at BZW, expects the dollar to reach DML 75 by year-end and to climb to around DML85 on a six-month view.

The D-Mark also looks set to weaken against some of the core currencies in Europe's exchange rate mechanism. "Some of these currencies - notably the French and Belgian francs and the Danish krone - are headed back towards their old ERM trading bands" against the D-Mark, said Mr Neufeld.

Despite last week's aggressive rate cuts, the Belgian franc briefly breached the BFr21.0950 floor of its former 2% per cent trading band against the D-Mark. France is one of the few European

countries not to have cut short-term rates last week and is expected to continue tracking the Bundesbank's cautious easing course, although many are calling for a cut in its 6.45 per cent intervention rate on the back of the currency's strength. The franc closed at FFra 4690 on Friday.



which manages trading on the OTC, commented that this

exempted from corporate and

active in the Istanbul market

short-term interest rates

have prompted domestic

**Venezuela** 

programme two weeks ahead

Ramon Velasquez said a

be taken by the new

office on February 2.

decision on how to proceed

with the programme would

administration when it takes

The proposed flotation of

Aeropostal, the state airline,

Zimbabwe

week along with China, is

amount of foreign interest.

beginning to attract a limited

although it still remains very

illiquid. The industrial index

of some 50 stocks has been.

recovering this year after a steep fall in 1992 because of

a severe drought.

■ PNG

Zimbabwe, added to the IFC's emerging market's index last

of general elections. President

investors to awitch into

equities.

witholding tax. Mr Stuart

14-50

would replace the current

to attract both retail and

#### **■** Hong Kong

monthly auctions and boped It has been an interesting time for Hong Kong watchers over institutional investors. the past few days: Morean. Stanley's Barton Blogs cut his weighting in the equity market, Nomura's Nick Knight ■ Turkey Foreign investment trusts and increased his and Goldman mutual funds purchasing Sachs downgraded Hong Kong shares in Turkey are to be Telecom, one of the key stocks. This week could be just as uneasy - the Hang Seng index Harley of Schroders said dropped back 4.5 per cent last the decision clarified what - as investors wait to had been a grey area. Overseas see if US money continues investors have been very flowing. Some analysts suggest that, in any case, the market may consolidate before a this year, while declining traditional rally prior to the Chinese new year.

#### Bangkok

TelecomAsia has fixed the offer price of its sale of 223m The government has suspended the privatisation is among the casualties.

for that has been set.

expected to be introduced from

January, RMS Slovakia AS.

Another new addition to the

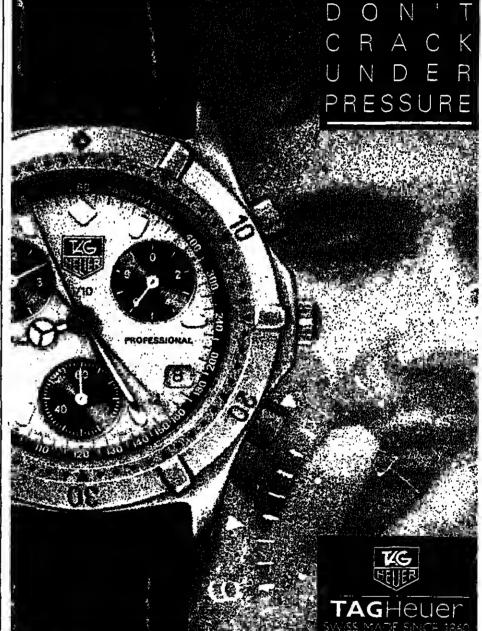
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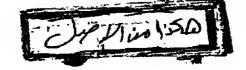
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# Weak demand hits two Japanese audio makers

By Michiyo Nakamoto in Tokyo

Japan's audio makers were battered by a sluggish consumer spending and the sharp rise of the yen in the first half

Pioneer, the specialist audio and laser disc maker, suffered an operating loss of Y1.25bn, although foreign exchange gains helped it to report a pretax profit of Y3.35bn.

Meanwhile, Kenwood, the specialised audio maker, reported a pre-tax loss of Y2.46bn, hit by the rise of the yen and downturn in consumer spending. The company is passing its interim dividend.

Pioneer saw sales drop 16 per cent to Y173.4bn, compared with Y205.5bn previously, in the face of slow consumer spending in Japan and a decline in demand for its commercial use laser disc karaoke

Sales of audio products in North America and Europe and of car audio product in Europe were particularly depressed, the company said. However Pioneer's gains

from currency hedging helped It to avoid a pre-tax loss. Kenwood saw falling demand in its audio and telecommunications business, which was particularly hard hit in Japan

with a drop of 23 per cent. Overall sales totalled Y96.4bn. down 10 per cent from the Y107.2bn made previously. Pioneer is forecasting a 9 per

cent decline in full-year sales to Y349bn and a 58 per cent drop in pre-tax profits to Y7bn. Kenwood expects full-year sales to fall to Y204bn from Y210.6bn and pre-tax profits to be Yihn, down from Y4.0bn. Buoyant demand for mobile phones belped Kyocera, the ponents and electronic parts, report a 1.9 per cent rise in sales in the first half.

Strong demand for electronic equipment from cellular phone companies belped that division push sales up 20 per cent. In contrast, demand for fine ceramics. semiconductor

devices and precision instruments fell in the face of the economic slump. Overall sales came Y150.4bn but pre-tax profits were down 6 per cent to Y17.4bn from Y18.4bn due to a decline in non-operating

income. Operating profits were

up 6 per cent to Y11.4bn from

Kyocera forecast full-year sales of Y305bn, up 1.5 per cent from the previous year, and pre-tax profits of Y35.4bn,

#### Yamaha profits 24.2% down at halfway mark

By William Dawkins in Tokyo

Yamaha, the world's largest producer of musical instruments, hit a discordant note. with first-half profits nearly a

Pre-tax profits declined by 24.2 per cent to Y2.93bn (\$27.4m) in the six months to September, a reflection of a saturated domestic market for pianos, sluggish consumer spending and the reduction in the yen value of export earnings caused by the Japanese currency's rise in value.

Yamaha posted a 58.7 per cent fall in profits for the year to last March which prompted a boardroom coup, after union

accept responsibility. But the group's fortunes appear to have taken a dive since the end of the first half. It is making losses in the current half, on the basis of Yama ha's forecast of a taxable profit of Yibn for the full year to next March, nearly a third of the Y2.8bn made last year, on

sales of Y320bn. First-half sales this year fell 4.8 per cent to Y172.14bn. Yamaha announced an unchanged interim dividend of Y3 a share, more than twice covered by per-share earnings of Y6.31, down from Y8.89 a

share in the same period of last

### **Paramount** poison pill decision likely today

By Patrick Harverson in New York

A US court is expected to rule today on the legality of the "poison pill" provisions in the \$9.7bn merger agreement between entertainment group Paramount Communications and the television cable comnany Viacom.

QVC Network, a home shop-ping channel which has made a rival \$10.6bn bid for Delaware Chancery Court to throw ont the provisions, which are designed to make it prohibitively expensive for QVC to buy Paramount if the agreed merger with Viacom

collanses. The court can throw out the poison pill provisions if it rules that the merger agreement between Paramount and Viacom is not a strategic alliance, as the two com-panies contend, but a straight-forward sale of Paramount to

QVC argues that if Para mount is no for sale, it should be sold to the highest bidder. In a separate move, QVC sent a letter over the weekend to the Paramount board claiming it had obtained the financing for its \$10.6bn offer, and asking the board to begin

negotiations. The Paramount board had previously rejected QVC's higher offer on the grounds that it was conditional upon QVC obtaining \$3bn in bank

Wall Street analysts, however, believe that Viacom will triumph in the battle for Para-

Late last week. Paramount's shares fell on the New York Stock Exchange as investors anticipated that the Delaware court would reject QVC's call to throw out the poison pill provisions in the Viacom-Paramount agreement.

Analysts believe QVC's only chance of success is to significantly raise its own bid. • Lee Lacocca, former Chrysler chairman, sold another \$31m worth of Chrysler stock

#### Morgan Stanley looks again at China By Antonia Sharpe Kong comes a little over one Morgan Stanley's decision last month after Mr Barton Biggs, its emerging markets strate-gist, returned from China, sayweek to tone down its bullish

I'm tuned in, overfed and maxi-

entitled "Hong Kong: Pausing

stance towards China has taken the shine off Hong Kong's dazzling stock market. Hong Kong has been pro-pelled to record highs this year

mum bullish. In addition, Morgan Stanley actively promoted its positive by a huge inflow of funds from international investors seeking stance towards China last an exposure to China's boommonth when it arranged a ing economy. series of international convert-Since China's etock ible bond issues for Chinese

exchanges are still at an early stage in their development Hong Kong's liquid stock market is widely regarded as a proxy for China. The Hang Seng index, the

barometer of the Hong Kong stock market, reached a record high of 9,733.34 on Monday last week but by Friday it stood 4.8 per cent lower at 9,263.94, mainly in response to Morgan Stanley's shift in strategy.

Morgan Stanley's decision to

George Weston

has strong

third quarter

#### ning to look like a bubble and smell like a tulip." "To mix metaphors still fur-

By Robert Gibbens in Montres

George Weston, the Weston family holding company con-trolling Loblaw, Canada's biggest grocer operation, as well es pulp and paper interests, posted third-quarter net profit of C\$21.2m or 45 cents a share, np almost 50 per cent from C\$14.2m or 27 cents a year earlier. Sales rose 5 per cent to C\$3.55bn.

The profit comparison was distorted by a C\$12m special charge in the 1992 period. Loblaw and Weston Foods, a large processing unit, contrib-nted higher sales and earnings. Revenues at the Weston Resources' businesses were up 25 per cent to C\$395m, due to an acquisition and strong timber markets, but profit dipped

of sharply lower results from the fisheries unit. Weston's overall nine-month profit was C\$50.6m or C\$1.08 a share, up from C\$24.1m or 39 cents, on revenues of C\$9.06bn,

> Notice of Partial Redemption ANSETT AIRCRAFT **FINANCE LTD**

USD 185,888,003 Floating Rate Notes due 2001

Notice is hereby given that pursuant to personable (ID) "Mandatory Redemption by the issuer in Part by Certain Interest Payment Dates" of the Terms and Conditions of Notes, the Iotowing Bonds in the principal amount of USD 10,410,000 have

redemption at 100% plus accrued interests at the offices of the princi-

el paying agent on the interest sayment date 29th December, 1983:

No. 0089 to No. 0179 Included No. 4144 to No. 4333 included Interest will cease on the Bonds called for redemption on and after the Redemption Date. Payment will be made upon presen-

together with all appurenant cou-pons maturing subsequent to the Redemption Date.

The nominal amount remaining in circulation after 29th December, 1993 amounts to USD 164,180,000.

Banque Nationale de Pa (Luxembourg) S.A.

WOOLWICH

to C\$3.9m from C\$7.6m because

against C\$8.57bn. · Nova Corp is selling its fully-owned Novalta Resources natural gas production unit to last month, according to docu-Seagull Energy, of Houston, for ments filed with the Securities. C\$275m cash. It will book a and Exchange Commission. C\$120m gain on the sale.

reduce its exposure to Hong ther," he continued, "taking a third of our chips off the table while the game is still wild and woolly seems sensible."

Mr David Roche, Morgan ing: "After eight days in China Stanley's global strategist, said yesterday that Hong Kong had ost some of its attraction following its recent run.

But although he had cut Hong Kong'e weighting from 7.2 per cent to 5 per cent in his global equity model portfolio, he was still left with a heavily overweight position towards

Hong Kong. He noted that Hong Kong's Last\_week, Mr Biggs cut Hong Kong's weighting in his emerging markets model port-folio from 16 per cent to 10 per new weighting in the global portfolio was 10 times its benchmark weighting of 0.5 cent. In a research document per cent based on gross domes-tic product, and more than for Breath, Mr Biggs wrote: "Momentum investing is great double its benchmark weight ing of 2 per cent in the Morgan stuff, but the craziness content Stanley Capital Index. in the magic of China is begin-

Mr Roche gave two further reasons: the likelihood of a mass repatriation of US funds

as the US economy picks up. and a danger that China's economy could be badly damaged by a power struggle within China's leadership over

economic policy. I am less convinced about the low-growth theory in the IIS," he said. In his view, the US economy will be much stronger than the consensus economic forecast and that this will create demand for capital

in the US He noted that there had been been a huge outflow of funds from the US to other markets, around \$100bn on an annualised basis, because US interest rates were low and the dollar was weak. "But this trend will reverse with a vengeance as the economy recovers and interest rates rise." Mr Roche

· Turning to China, Mr Roche said the recent structural reform package was a "policy

power struggle". In addition, signs of back-tracking on China's austerity programme suggested that Beijing had yielded to the coastal regions' desire for fast-paced economic

growth. Mr Roche said that as a result, there was an increased risk of a hard landing for China's economy, that power in China would be decentralised. and that wealth differentials

would widen further. \*All these could lead to political instability," Mr Roche

Nevertheless, Morgan Stanley believes in China's long-term potential.
"I still believe that China

is the premier growth and investment story in the world . . and that some day China will experience the mother of all bull markets," Mr Biggs wrote.

### Klöckner-Humboldt-Deutz predicts break-even for year

Klöckner-Humboldt-Deutz, the German diesel engins and industrial plant manufacturer. expects to break even in 1993 espite poor results in the first half of the year.

The company said that for the full year, turnover would fall by 10 per cent to DM3.3bn (\$1.95bn). In 1992 its turnover was DM3.7bn and it then broke even on a pre-tax basis.

Mr Werner Kirchgasser, the chief executive, said the company would again break even savings programme and a industrial plants divisions. KHD said it had saved "hundreds of millions of D-Marks"

by reducing its workforce and raising productivity. The company said it would continue to slim down by laying off 800 employees by the end of 1993 from its current workforce of 11,000. In 1992, the company reduced its payroli by over 2,000 employees. KDH also said it had significantly reduced

material costs.

motors and agricultural machine-tools divisions were suffering from the general slowdown in domestic and international markets, business was picking up in the industrial plants side. Turnover in that division is

expected to reach over DML8bn for the year, over a third of KHD's total sales. It said this would greatly improve the overall turnover, which dropped by 21 per cent in the first six months of the

# Schindler rejigs Jardine venture

By Ian Rodger in Lucerne

Schindler, the world's second largest elevator group, is taking control of its Asian sales and servicing businesser after renegotiating a series of. joint ventures with Jardine Pacific.

A new venture, Jardine-Schindler Holdings, owned equally by the two partners, with Schindler having a call option, to raise manage our own business, its holding to majority status, Mr Alfred Schindler, chairman,

will take over from January 1. Since 1974, Jardine has had a Mr Schindler said the

60 per cent stake in its vengroup paid a cash sum to Jartures with Schindler, Farly last dine and expected to exercise year, Schindler publicised its its option to take control of the frustration with this arrangenew venture in two to five ment, which it felt was inhibiting its development in the world's fastest growing mar-As part of the new arrange

ments, the Jardine-Schindler "We cannot afford to invest a venture loses its exclusive lot if we do not have a real rights to represent Schindler in China, where the Swiss group joint venture where we can. has two joint ventures with local partners.

#### **David Jones** may be sold or refloated

David Jones, the unmarket Australian department store business owned by the troubled Adelaide Steamship group, could be refloated or sold, according to its parent.

Adsteam also told shareholders at its annual meeting the price for the retail interests must reflect the real and potential value of such a flagship business", and gave no hints on the timing for such a

There has been speculation that there might be a sale in 1994-95, and that a float of the department stores could raise around A\$500m (US\$326.7m). Adsteam has already disposed of its other major retail interest, in Woolworths, via a multi-

billion dollar flotation. Meanwhile, Adsteam ts sell-ing the core business of its Metro Meat unit to CITIC Australia for an undisclosed amount. The deal, subject to Foreign Investment Review Board approval, should close in early-1994, and be close to book value. CITIC is the Australian investment vehicle for Beijing controlled China international Trust and Investment Corp.

This advertisement is based in compliance with the requirements of the international Stock Exchange of the United Kingdom and the Republic of firebrid Limited ("The Londom Stock Exchange"). It does not constitute an invitation to the public to subscribe for, or purchase, any according Application has been made to The Londom Stock Exchange for the grant of permission to deal in the United Securities Market in the new ordinary shares and warmant of the Ibertony Leisure Group FLC (the "Company"). It is explainable that no application has been shade for the new ordinary shares and warmant of the Company to be admitted to festing, it is expected that dealings in the ordinary shares and warmant of the Company will commence on 7th December, 1993.

Harmony Leisure Group PLC

#### HARMONY PROPERTY GROUP PLC

(Registered in England No. 792165)

**Placing** by

**Guinness Mahon & Co. Limited** 

66,000,000 new ordinary shares of 5p each at 9% p per share

#### and **Issue of Warrants**

(on a 1 for 5 basis) to subscribe for up to 18,337,130 new ordinary shares of 5p cach at 15p per share

Share capital following the Placing

£ 11,500,000

due 1994

18 November 1993 to 18 February 1994. Interest pay on 18 February 1994 will amount to \$ 143.36 per \$10,000 note and \$1,433.56 per \$100,000 note.

£175,000,000 Floating Rate Notes due 1996

reserving scare Notes the 1996
In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three stouth period endate 7th February, 1994 has been fixed at 5.75% per summ. The interest accruing for such three month period will be £14.35 per £10.000 Beater Note, on £10.550 per £10.000 Beater Note, on £10 February, 1994 against presentation of Coupoa No. 7, Union Bank of Switzerland Leadon Branch Agent Bank

17th November, 1993

This advertisement is issued in compliance with the Regulations of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange") and does not constitute an Invitation to the public to subscribe for

Application has been made to the London Stock Exchange for admission to the Official List of the whole of the existing Ordinary Shares issued and to be issued under pursuant to the placing of Biotrace International Pic. It is expected that dealings will commence on 25 November 1993.

Placing by

Allied Provincial Securities Limited

7,153,500 Ordinary Shares of 10p each at 130p per share

Share Capital

in 50,000,000 Ordinary Shares of 10p each

The principal activity of the Group is the development, manufacture and marketing of

a range of instruments and reagent kits.

Listing particulars are available for collection during normal business hours from 22 November 1993 up to and including 24 November 1993 from tha Company Announcements Office, the London Stock Exchange, Capel Court

Entrance, off Bartholomew Lane, London EC2N 1HP and on any weekday from 3.00 pm on 22 November 1993 up to

Authorised

- Building Society -£5,000,000

Notice is hereby given that the notes will bear interest at 5.6875% per annum from

Agent: Morgan Guaranty Trust Company

\$100,000,000 Floating rate notes

JPMorgan

Bridgend CF31 3NA

The Science Park

and including 6 December 1993 from:

Beaufort House 94/96 Newhall Street Birmingham B3 1PE Cardiff CF1 2UD

Biotrace International Pic Allied Provincial Corporate Services Allied Provincial Securities Limited Westgate House Womanby Street

22 November 1993

issued and

to be issued

£3,080,402

fully paid

NOTICE OF NAME CHANGE OF GUARANTOR **CSFB FINANCE B.V.** 

US\$290,000.000 Guaranteed and Subordinated

Floating Rate Notes Due 2003

and US\$300,000,000 Guaranteed Subordinated Floating Rate Notes Due August 2003 Guaranteed on a subordinated basis by CS First Boston Group, Inc. (the "Guarantor") NOTICE IS HEREBY GIVEN, pursuant to Condition 14 of the Terms and Conditions
(the phase Natural that the name of the Consented has been channel or of October 12.

Dated: November 22, 1993

CS FIRST BOSTON, INC.

National & Provincial Building Society
Issue of up to £200,000,000
Floating Rate Notes 1999
Notice is bereby given that for the three months 17th November, 1993 to 17th February, 1994
the Notes will carry an intense rate of 51.7% per arrum with a coupten amount of £144.93 per £10,000 Note and £1,449.32 per £100,000 Note payable on 17th February, 1994.

FUTURELINK CALL HYETRON ON

Daily Gold Fax - free sample

QUILMES INDUSTRIAL S.A. (QUINSA) Luxembourg Holding Company

nd of directors meeting of November 17, 1993 held under the Chai of Mr. Audio de Ganny decided to convene as Extraordinary Ocneral Meeting of the stureholders of QUILMES INDUSTRIAL S.A. The Extraordinary General Meeting, to be shalf in Lucembourg on Friday, December 10, 1993 shall wite upon a propor stock split giving 29 now shares for one old share held as of December 31, 19

then be January 3, 1994. The first quotation of QUILMES INDUSTRIAL's shares on July 19, 1991 was US\$20. Presently, the shares trade on the Luxember showe US\$300 which is a sotal market value of more than US\$1 billion.

The Board of Director



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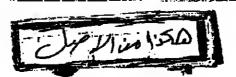
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Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ index), 90.791 (Pound Sterling) and 94.94 (Local); Nortice Dec 30, 1988 = 139.65 (US \$ index), 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, 1987 114.45 (Pound Sterling) and 123.22 (Local), Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited, Goldman, Sachs & Co. and N

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**DUE NOVEMBER 1996** In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest for the fifteenth Interest Period from the 22nd

November, 1993 to the 23rd May, 1994 has been fixed at 3.375 per cent per annum. interest payable on each U.S. \$250,000 on the relevant interest date, 23rd May, 1994 will be U.S. \$4,265.63.

SVENSKA INTERNATIONAL PLC, Agent

FINANCIAL TIMES MONDAY NOVEMBER 22 1993 LONDON SHARE SERVICE Why the December of the Control of t **AMERICANS BUSINESS SERVICES ELECTRICALS - Cont.** | Windows | Configuration | Co 201 - C. Apr Oct 1.5 Jan Dec 2.6 Apr Oct 1.6 Jan Dec 2.7 Apr Oct 1.6 Jan Dec 2.5 Apr Oct 1.6 Jan Dec 2.5 Sup 51 -4.5 E.1 4.9 C.1 4.0 C.2 4.9 E.1 5.2 C.2 4.3 E.1 6.2 C.2 4.9 E.1 6.2 C.2 6. -3 \$75 -14 111 -26 1.4 -7.8 -19 4.5 1.25 Nov Nov 4.5 Juny Job 6.15 Apr 11.5 Tely July 700.5 Tely July 2.15 Sabala Ju 700.5 Tely July 2.15 Sabala July 2.15 July 2.16 Sabala 2.17 July 2.18 July Wiss. On the Obstacks will be of the out of ELECTRICITY Chine Light HKS.
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#### MONDAY

#### Bosnia peace plan

Western European Union foreign and defence ministers will discuss in Luxembourg the Franco-German initiative to eod the Bosnian war by gradually lifting sanctions against Serbia in return for land for the Moslems.

As winter begins to bite in the Balkans, the plan marks the first evidence of a shift in European tactics away from isolation of Serbia and more toward incentives for President Slobodan Milosevic of Serbia to end the war.

Moscow: German Chancellor Helmut Kohl calls on President Boris Yeltsin on his way back from his trade-boosting trip to China. On the agenda are economic co-operation and support for Russia's reform process. They may also discuss the looming elections in

Cape Town: Parliament resumes for the last session of white-dominated legislature amid continuing efforts from the ANC and government to persuade the white right wing and the Inkatha Freedom Party to accept the draft constitution agreed last week.

Paris: Israeli and Palestinian economic chiefs bold talks on economic relations, in particular an Israeli proposal for a customs union. The Palestinians want greater economic sovereignty than Israel expected and intend to lay the foundations of an independent Palestinian state.

London: The Scott inquiry into the illegal export of arms to Iraq resumes its public hearings following a two week adjournment.

Lord Justice Scott is probing the extent to which ministers breached their own guidelines restricting defence exports to Iraq in the 1980s, whether or not parliament was misled, and if a conspiracy lay behind the controversial trial last year of three UK busi-nessmen employed by the machine tool maker Matrix-Churchill.

#### Korean missile crisis



However much **US** president Bill Clinton may wish to emulate President J.F. Kennedy (left), wbo was assassinated 30 years ago today while

on an official visit to Dallas, he can hardly want a Cuban-style missiles crisis for himself or the world. Clinton has stated "North Korea cannot be allowed to build a ouclear bomb". He meets the South Korean president to discuss the crisis tomorrow.

### 23

#### TUESDAY

#### EU work time directive

A meeting in Brussels of the EU social affairs council (employment and labour ministers) will pass the controversial working time directive. Britain has won a seven-year delay on implementing the 48-hour limit on the working week, hut much else - such as statutory holidays and controls on night work - will become law within three years unless the UK government succeeds in its legal challenge to the direc-

Washington: President Clinton meets South Korean President Kim Young Sam to discuss the North Korean nuclear issue. The two leaders may offer to cancel Team Spirit, their biggest annual military exercise, in return for the North allowing routine international inspections of its nuclear facilities and resuming dialogue with

The North recently proposed that Pyongyang and Washington make simultaneous concessions, such as US recognising the North in return for the acceptance of complete nuclear inspections.



Opec swims against the tide
The Organisation of Petroleum Exporting Countries meets in Vienna against the familiar background of weak oil prices. Some analysts believe a cut in output may be needed to halt the price slide. Benchmark Brent Blend

has been trading at about \$15-16 a barrel; the Opec target price is \$21 a barrel. Gatt: Sir Leon Brittan, EU Trade Commissioner, holds bilateral talks in Washington with Mr Mickey Kantor. US Trade Representative, aimed at settling Uruguay round disagreements over tariff cuts, farm trade, anti-

dumping rules and financial services. Bonn: The Bundestag, the lower chamber of the German parliament, begins the annual Budget debate (to Nov 25). The plan includes a savings package aimed at cutting social spend-ing and keeping the deficit below

John Major, UK prime minister, faces John Smith, leader of the opposition Labour party, in the first question time of the new parliamentary session. which takes place on on the third anniversary of Major's assuming the top job in British politics.

DM70bn next year.

The Institute of Directors, Britain's bosses' club, holds its annual dinner this evening. The guest speaker is Michael Heseltine, secretary of state for trade and industry.

#### WEDNESDAY

#### In the wake of da Gama



Some 496 years ago Vasco da Gama, the Portuguese navigator. became the first to round the Cape of Good Hope to open up a trade route to India. In Geneva his latter-day counterparts resume

negotiations open up world markets through a Gatt trade deal (to Nov 25). These will be the first multilateral talks since the US Congress approved plans for Nafta last week, a vote which trade officials hope will give the Gatt talks vital momentum. Teams will

focus on procurement and market

access in an effort to surmount barriers

to a Uruguay round agreement. Brussels: The European Commission discusses Jacques Delors' white paper on growth, competitiveness and employment. It is likely to be the first time the commissioners have seen a complete draft of the paper which has been in preparation for months. The paper is due to be presented to

on December 10 and 11. Dusseldorf: The defence begins its closing arguments at the trial of the former East German spymaster Markus Wolf. The prosecution has asked for a seven-year sentence.

the summit of EU leaders in Brussels

Philip Morris, the US tobacco group, is holding a hoard meeting to consider a number of restructuring plans aimed

at cutting its cost base. The company has aiready warned shareholders and analysts that it will take a "significant" charge against its fourth-quarter earnings to pay for any cost-reduction measures.

Whisky to go go go: The last 14 bottles of whisky salvaged from the wreck of the SS Politician, the ship loaded with whisky for export which sank off the island of Barra in the outer Hehrides in 1941 and inspired the book and film Whisky Galore, are to be auctioned at Christie's in Glasgow.

Footbalt: Europe's most prestigious club competition reaches its serious stage as the eight remaining clubs begin play in the European Champions' League. In group A Monaco entertain Spartak Moscow and Galatasaray of Turkey are at home to Barcelona. In group B AC Milan visit Anderlecht of Belgium and Werda Bremen go to Porto of Portugal.

in the UEFA cup, Norwich City play host to Italy's Inter Milan.

FT survey: The Basque Country. Recession is taking its toll on the heavy industrial base of the autonomous region in north-western Spain.

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### 25

#### THURSDAY

Middle East peace moves

#### Yassir Arafat, chairman of the Palestine Liberation Organisation, begins a tour of Norway, Sweden. Den-

mark and Finland. Secret talks in Norway arranged by the Norwegian foreign minister, Joergen Holt, helped bring about the peace breakthrough. Negotiators continue talks in Cairo to hammer out an agreement on

Israel's partial military withdrawal from the occupied Gaza Strip and the Jericho area of the West Bank. Agreement must be reached by December 13 to allow the signing of a protocol under the Israeli-Palestinian peace accord signed in Washington in

Meanwhile, rumours persist of contacts between Israel and Syria.

Born: UK prime minister John Major flies to Bonn with a full team for the 23rd annual Anglo-German summit, hosted by Chancellor Helmut Kohl. Talks will range from the outlook for the European Union after Maastricht, through the enlargement of Nato, to such topics as tactics for a successful conclusion of the Gatt negotiations.

Trade talks: Peter Sutherland, Gatt director general, meets heads of delega-tions in Geneva to assess progress towards a Uruguay round agreement The OECD has estimated that a suc-cessful conclusion to the round could boost world trade by \$270bn.

Spairs Nationwide trade union demonstrations are planned against government plans to freeze state employee wages and to deregulate rigid labour legislation. The strikes come in a week when government figures are likely to show the unemployment rate reached 23 per cent in the third quarter.



Interim results today and tomorrow. In the wake of the recent collapse of Muramoto Construction, the higgest financial failure in Japan since the war, the banks' debt

write-offs will give a clue to the health of banking system though the figures will not yet include the direct impact of Muramoto. A poor showing could nudge the ailing Nikkei lower.

FT survey: Belgian Banking and Finance. Belgium has long been home to the European Union's political institutions, but has the country's financial sector got what it takes to survive and prosper in the single market the EU has created?



### 26

#### FRIDAY Czech privatisation delay

Pew state enterprises look likely to meet the end-of-November deadline for presenting accounts so that potential investors can choose how to invest their coupons. As companies also have to draw up end-of-year accounts, many wish to avoid two sets of accountants

The delay will probably put back the first round of privatisation from February 1 1994 to March 1.

Beigium: Unions have called for nationwide strikes against the government's austerity programme.

Ankara: Senior Turkish and Iranian security officials meet to discuss co-operation on border security.

dapest: Irish president Mary Robinson is to receive the Freedom Prize at the Liberal World conference in recognition for her efforts to bridge the sectarian divide in Ireland.

### 27-28

#### WEEKEND

#### Honduras goes to the polls

The country is holding presidential, parliamentary and municipal electi on Sunday. Opinion polls give Carlos Reina of the centrist Liberal Party. a slight lead in a bitter presidential mpaigo over Oswaldo Ramos on the right of the right-wing National Party of President Rafael Calleins.

England vs All Blacks: The New Zeeland touring side, following their record win against Scotland last week take on England in the rugby union international at the Twickenham ground in London on Saturday.

#### NEXT WEEK

UK Budget on Tuesday November 38, The first unified Budget and the first for chancellor Kenneth Clarke.

Compiled by Patrick Stiles. Fax (+40 (0)71 873 3194.

### Statistics to be released this week

Country	Economic Statistic	Day Released	Previous Actual	Median Forecas
UK	CBI industrial trends	Fri 26		
us	Oct Durable goods orders	Wed 24	0.7%	1.8%
	Auto sales Nov 11 - 20	Wed 24	7m units	7m uni
	Truck Sales Nov 11 - 20	Wed 24	5.4m units	5.2m u
	Weeldy Money supply M1	Fri 26	\$10.9bn	\$1bn
	Oct Bank credit	Fri 26	4.3%	-
Japan	Sep leading indicators	Mon 22	50 %	-
	October inflation	Fn 26	1.2%	1.2%
	Oct Retail sales	Fri 26	-3.7%	-3.8%
Germany	Oct Money Sup M3	Mon 22	6.8%	6.7%
During this	week			
Germany	Oct producer price index		-0.5%	-0.3%
	Nov prelim cost of living		3.9%	3.7%
	Oct Import prices		-1.5%	-3.5
	Ifo business climate		87.7%	-
Spain	Q3 unemployment		22.3%	23%
Italy	Sep wholesale price index		6.5%	-
	Oct money supply		7.8%	7.7%
Belgium	Nov Inflation		2.7%	2.6%
Denmark.	Oct inflation		1.2%	1.5%
Canada	Sep earnings		1.7%	1.5%

Important inflation data in Germany tbls week will affect the market's perception of how quickly and how soon the Bundesbank is likely to lower its

lending rates. Attention today will focus on the October M3 growth rate with many believing it will fall within the 4.5-6.5 per cent target range for the first time this year. The consensus forecast suggests

M3 in October will rise by 6.7 per cent. Later in the week, the Federal Statistics Office releases the preliminary cost of living index for November. In the year to October, cost of living inflation was 3.9 per cent, its lowest since June. Analysts expect the index to have risen

3.7 per cent in the year to November. The last week before the Bodget in the UK brings few economic statistics, but the Confederation of British Industry releases its November industrial trends survey on Friday. It will give a clue as to whether or not the UK is enjoying a non-inflationary recovery with strong exports. On Thursday, the CBI produces its forecasts and recommendations for the Budget.

In Spain, third-quarter unemployment is forecast to be about 23 per cent. This measure comes from a quarterly survey based on a rather loose definition of unemployment. A poor figure will probably boost the bood market in the expectation that pressure will increase

for lower interest rates.

Emma Tucker





Monday: EU economics and

finance ministers are likely

initiative by making loans

They will also formally

as head of the European

their annual price-setting

Tuesday: Social affairs

Thursday: EU president

on social policy.

smooth the deal.

in protest against the

Monetary Institute.

session.

to agree to expand the growth

from the European Investment Bank more readily available.

approve Alexandre Lamfalussy

Fisheries ministers meet for

ministers look at commissioner

Padraig Flynn's green paper

Jacques Delors and Hans van

den Broek, commissioner for

external affairs, meet Shimon

Peres, Israeli foreign minister

The EU has pledged £385m aid

for the West Bank to help

Friday: Belgian unions are

threatening a general strike.

government's austerity plan.

to discuss Middle East peace.



WASHINGTON

Monday: Leon Brittan, EU

spending by \$100bn over the

Tuesday: The House of

next five years.

Gatt.





LONDON

Trade Commissioner, arrives for talks with Mickey Kantor, index of leading indicators for US trade representative, on September due to he published by the Economic Planning President Fidel Ramos of Agency will shed light on the the Philippines visits the White House for talks with depth of the downturn in the Japanese ecocomy. President Clinton on economic Tuesday: National holiday to and security issues. celebrate Thanksgiving. The House of Wednesday: Mongolian prime Representatives debates the minister Puntsagiin Jasrai. Penny-Kasich to reduce federal arrives for a five-day visit. He

on Thursday to discuss a Representatives adjourns until Japanese aid package. January. The US Senate will Mongolian prime minister also adjourn until January Jasrai is due to meet Emperor later this week, but no definite Akihito and Empress Michiko date has been set. at the imperial palace. Thursday: President Bill Friday: Former UK prime Clinton, the Nafta deal under minister Margaret Thatcher his belt, will retreat with first is to receive an honorary lady Hillary Rodham Clinton doctorate at Gakushuin

turkey at Camp David over the Thanksgiving holiday. US financial markets and most businesses will be closed

an daughter Chelsea to eat



TOKYO

Monday: Official ligures for

bolds talks with prime

University.

Street Years.

of her book The Downing

minister Morihiro Hosokawa

Household Spending and the

Monday: The Commons' third day of debate on the government's legislative programme laid out in the Queen's Speech will deal with local government in Scotland and Wales. Debates on the Queen's Speech continue until Thursday, covering bome affairs, education, trade and

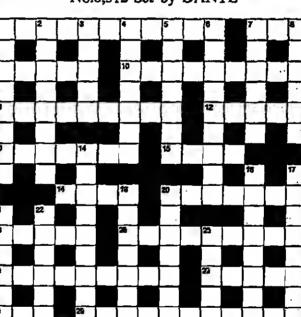
held in December. Wednesday: Trade and

questions are likely to focus on the government's ambitious plans to reform the criminal Her visit coincides with the justice system. launch of the Japanese version Friday: Commons debate on progress towards national

education and training targets

industry and deregulation and the economy. Tuesday: Malcolm Rifkind. defence secretary, will answer defence questions. Mr Douglas Hurd, foreign secretary, will give evidence to the foreign affairs select committee on the European summit to be Industry questions. Thursday: Home Office

**MONDAY PRIZE CROSSWORD** No.8,312 Set by DANTE



Words are not about to

3 Switch lit up bulb (5) 4 Portentous doctor lifted one

with commonsense (7) 5, 19 down Itinerant crafts-

man in poetry (7,7)
6 There's nothing risky with her new type of pudding (9)
7 His job is to transfer stock

accepted (6) 14 Digits used in an argument

- rather excessive! (1,3,5)
16 World water speed records

were set here, not sonic however (8)

however (8) Achievement sure to be

written about In newspa-

To tackle this crossword is

beneath Jack - forgive him!

21 A shooting-box? (6) 22 They hold an alternative

supposition (6)
25 Kicking oneself for getting rug in bad condition (5)

Not French, but Latin

stick (8)

pers (8) 19 See 5 down

- He wants to go back in politics (11)
  7 May be lucky for a pick-
- pocket (3) 9 Guardian article wins back
- support (5)

  10 Become liable to debts without interest (9)

  11 Army signalling? (9)

  12 A hit of an act? (5) 13 Fresb lies and disclaimers
- 15 Deck shipshape? (4) 18 Keeping steady company (4) 20 New name given to one 23 Result of test matches or
- match tests (5)
  24 No action required about coach reservation (9) Rational converse? (9) 27 In the meantime, I'm off to
- Bury! (5) 28 A state in America no matter which? (3) 29 They go to blazes (4.7) DOWN

1 Music in D sharp, nothing unusual at the end of the

A prize of a Pellican New Classic 390 foundain pen for the first correct solution A prize of a remain from oughout day forman pair for the lifet correct southern opened and five number-up prizes of £35 Pelillon vouchers will be awarded. Solutions by Thursday December 2, marked Monday Crossword 8,312 on the e, to the Financial Times, 1 Southwark Bridge, London SEI SHL

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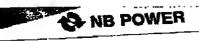
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"The secret to a long life is to stay busy,
get plenty of exercise and
don't drink too much. Then again, don't drink too little." BERNARO F. QUICLEY. 103-TEAR-OLD CALIFORNIAN.



INTRODUCE SOME CALIFORNIAN INTO

SINGLE CASK MATURED BRANDY



THE CONVERSATION.

In the Ukraine, unable and Electricité de France, told use